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France	[illegible]	Lebanon	[illegible]	Singapore	[illegible]
Germany	[illegible]	Lux	LFr55	Spain	Pta180
Greece	[illegible]	Malaysia	M$4.25	Sweden	SKr12
Hungary	Dr180	Morocco	MDh6.00	Switz	SFr2.50
Iceland	Ft107	Neth	Fl 3.25	Thailand	Bht56
India	IKr160	Nigeria	Naira12	Tunisia	Din1.000
Indonesia	Rs15	Norway	NKr12.00	Turkey	L2000
	Rp3100	Oman	OR1	UAE	Dh7.00

US BUDGET
Farewell to the federal deficit
Page 6

World News

Hindus storm mosque after battle with Indian police

Hindu militants stormed and damaged a mosque at Ayodhya, in Uttar Pradesh, after repeated clashes between police and surging crowds left six dead and scores injured. The attackers then triumphantly planted saffron flags on the mosque's three domes. Page 18

US sailors killed

Eight US sailors died in a boiler room accident on board the amphibious assault ship Iwo Jima off Bahrain. A marine, also serving in the Gulf, was killed during night manoeuvres in the desert.

Nuclear mishap

Technicians at Bulgaria's sole nuclear plant shut down two of its five reactors because of an unspecified breakdown outside the plant's nuclear reactor core.

Marcinkus quits

The Papal service lost its most colourful and controversial character with the retirement of Archbishop Paul Marcinkus, 68, Vatican financier during the crash of Banco Ambrosiano in 1982. Page 2

Soviet trains looted

Gangs of thieves are looting cargo trains at an unprecedented rate, the Soviet interior ministry said, stealing everything from fruit and vegetables to farm machinery and video equipment.

Mandela's rebuke

South African anti-apartheid leader Nelson Mandela said in Tokyo that Japan was reluctant to fight racism and its help for the anti-apartheid struggle had been "absolutely insignificant".

Haughey crisis

Irish prime minister Charles Haughey held crisis talks with his deputy, presidential candidate Brian Lenihan, about a political scandal over a telephone call. The row could topple the government. Page 2

Johannesburg blast

An explosion believed caused by a bomb shook central Johannesburg, causing extensive damage but no injuries. Police sealed off the area, which was littered with broken glass.

Channel link nearer

French and British tunnellers made contact with each other beneath the Channel as a thin steel probe was pushed through the last 100 metres of chalk marl which divide them. Page 18

Mir repair fails

Two Soviet cosmonauts failed to repair an entry hatch on the Mir space station after a space walk of almost four hours.

Beirut out of bread

Beirut shops ran out of bread when bakeries, locked in a price row with the government, closed for the second day running.

Friends again

China and Vietnam have signed their first bilateral agreement since ties were broken over a decade ago when they fought a brief border war.

Iran executes 41

Iran hanged 41 people for armed robbery and drug offences in two series of executions.

Helicopter deaths

Two US soldiers died when their army helicopter crashed after hitting a power line near the northern German city of Bayreuth.

Saint Mikhail

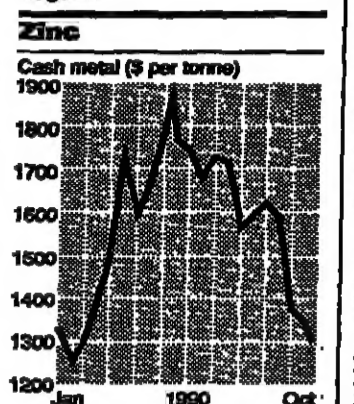
Marble mosaic images of Mikhail and Raisa Gorbachev, smiling serenely, have been installed alongside those of patron saints at a church in Terni, just north of Rome.

Business Summary

IRI considers merger to form Italy's largest bank

IRI, Italy's giant state-owned holding company, is considering whether to merge Banca Commerciale Italiana and Credito Italiano, two of the three "banks of national interest" it owns. BCI has assets of $88.6bn, the third biggest in Italy, while Credito Italiano has assets of $75.2bn, the fifth biggest. A merger would make Italy's biggest bank. Page 19

ZINC prices fell sharply on the LME yesterday, cash metal shedding $42 to close at $1,299 a tonne. Commodities, Page 29



SOVIET parliament is expected today to begin examining long-awaited legislation to protect foreign investment in the Soviet Union. Page 18

FORD MOTOR, second largest US automobile group, reported a 79 per cent drop in third quarter profits. Page 19

ADIDAS, German sports equipment company, has appointed Mr Hans Friderichs, former West German Economics Minister, as the new supervisory board chairman. Page 20

BOEING, world's largest commercial aircraft manufacturer, has announced a 56 per cent leap in third-quarter earnings. Page 22

PHILIPPINE officials have acknowledged that the country will be unable to meet economic targets set in its current three-year programme laid down by the International Monetary Fund. Page 4

VOLKSWAGEN has offered to invest a total of DM8bn ($5.2bn) in Skoda in an attempt to gain a substantial stake in the Czechoslovak car-maker. Page 2

BUSH administration expects the federal deficit to be eliminated in four years, the result of budget measures and a sharp improvement in the economic outlook from late next year. US Budget, Page 6

OYO, Japanese maker of geological instruments, is planning a joint venture in the Soviet Union, in what would be the first high-technology investment by a Japanese company. Page 4

JAPAN's pulp and paper manufacturers have reported gloomy interim results. Page 23

TNT, Sydney-based international transport group, has declared a 48 per cent surge in operating profits to A$22.3m ($17.5m) from A$15.0m for the quarter to end-September on a 7 per cent rise in revenue to A$1.15bn from A$1.07bn. Page 20

DU PONT, biggest US chemicals company, said it would form a joint venture with Teijin of Japan to make and sell polyester film for audio and video uses. Page 22

BANCO de la Provincia de Buenos Aires, Argentina's second largest commercial bank, has put forward a debt restructuring plan to reduce substantially service payments on about $550m of foreign commercial bank debt. Page 24

EL SALVADOR will today unveil plans to privatise the country's banking and finance system after 10 years of state control. Page 25

Baker to visit Gulf, Europe as Saddam steps up alert

By Lionel Barber in Washington and Lamis Andoni in Baghdad

THE Bush administration yesterday unveiled details for a seven-day trip to Europe and the Middle East by Mr James Baker, secretary of state, in an attempt to wrest back diplomatic leadership of the alliance against Iraq.

His mission, which begins on Saturday, will embrace at least five nations and will include talks with Mr Eduard Shevardnadze, his Soviet counterpart. It comes amid concern in Washington and London that the US risked losing the initiative in the Gulf crisis.

In Baghdad yesterday, President Saddam Hussein held an emergency meeting with military commanders and later put the armed forces on a heightened state of alert. Iraqi officials said they feared the US might wish to carry out a pre-emptive strike before the anti-war movement in the US gained momentum and before the alliance started fraying.

Washington's decision to send Mr Baker on his most ambitious diplomatic tour since September follows disquiet in the administration over signs that the credibility of the military option against Iraq may have been weakening.

Growing US fears over the past few days have been highlighted by Baghdad's positive reaction to statements from Soviet President Mikhail Gorbachev in Paris on Monday. The Soviet leader hinted at a change in Mr Saddam's hard-line stance and placed emphasis on diplomatic means to secure Iraq's withdrawal from Kuwait.

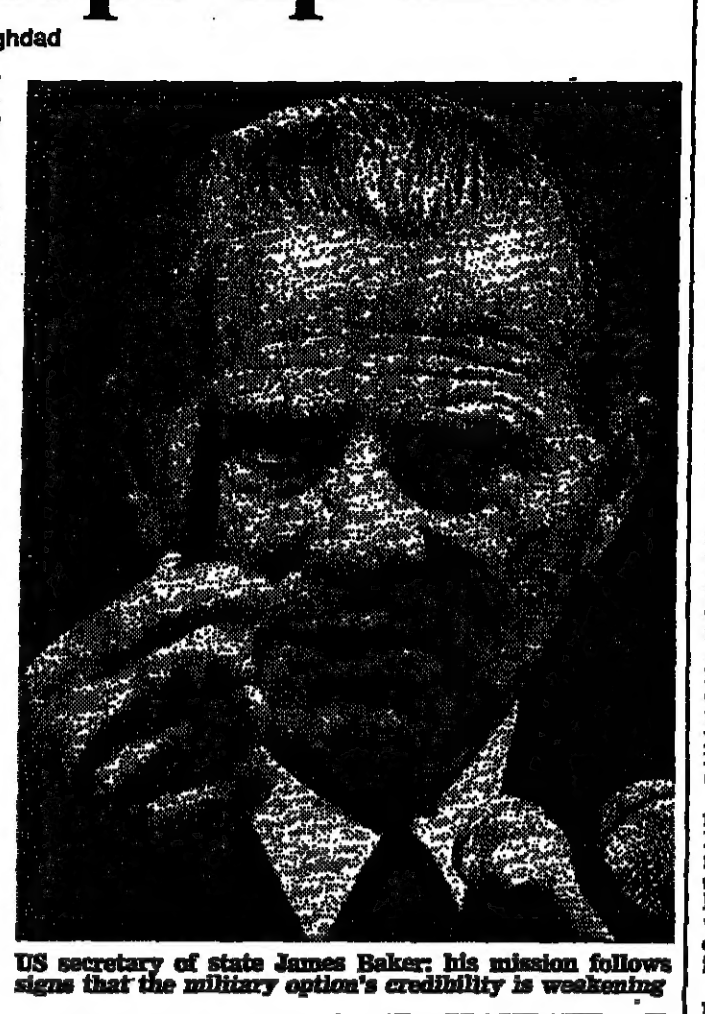
Details of the Baker mission emerged as President Bush met his national security advisers to discuss a substantial increase in US forces in the Gulf, beyond the 210,000 deployed under Operation Desert Shield.

In recent days, Mr Baker, along with President Bush and Mr Dick Cheney, US defence secretary, has constantly raised the possibility that force may be needed against Iraq to resolve the crisis. However, demands for additional US troops from field commanders may delay the point at which the US is ready to take action.

During his trip, Mr Baker will hold talks with the exiled Emir of Kuwait in Taif, Saudi Arabia, as well as the Saudi ruling familiy, in Jeddah. He will also visit Egypt, Turkey, France and Britain before meeting Mr Shevardnadze at a so far undisclosed location in Europe.

If, as expected, President Bush agrees to increase US forces by up to 100,000 more troops, Mr Baker is expected to outline in general terms how this could affect the outlook for possible future military action against Iraq.

Moscow takes centre stage, other reports, Page 4; UK budget, Page 4


US secretary of state James Baker: his mission follows signs that the military option's credibility is weakening

Thatcher pledges to defend pound

By Philip Stephens, Political Editor, in London

MRS Margaret Thatcher, Britain's prime minister, yesterday raised the political stakes in the dispute with her European Community partners by condemning plans for a single currency as an assault on the UK's national identity.

In a passionate parliamentary performance which included attacks on Germany, France and the European Commission, Mrs Thatcher pledged repeatedly to defend the pound.

She declared: "If you hand over your sterling, you hand over the powers of this parliament to Europe".

She characterised the Delors plan for monetary union as "federalism by the back door", said that the Commission was out to "extinguish democracy" and described Mr Neil Kinnock, the oppsition Labour Party leader, as "little Sir Echo".

The move by France and Germany at the Rome summit to block an agreement on farm subsidies as part of the Gatt (General Agreement on Tariffs and Trade)talks was lambasted as "disgraceful".

Mrs Thatcher undermined also the government's alternative plan for closer integration. She said that the "hard Ecu" proposed by Mr John Major, Chancellor of the Exchequer, could over generations lead to a single currency. She then added her own judgment that: "In my view it would not become widely used."

Her stance left many MPs speculating that she was now preparing to fight the general election on an uncomprising platform of defending Britain's sovereignty – if necessary by opting for the "slow lane of a two-speed Europe".

It prompted dismay among pro-Europe MPs who still hope for a compromise with Britain's partners on greater integration. They judged it would greatly complicate the efforts of Mr Major and of Mr Douglas Hurd, the foreign secretary, to rebuild alliances with Britain's partners following its isolation at the Rome summit.

Ministers acknowledged later that the tone of the comments had been unhelpful. They insisted, however, that there was still a realistic possibility of a compromise. They referred to previous occasions when Mrs Thatcher had lambasted plans for closer integration only to accept them later. Her performance, however, brought cheers from many Tory MPs who believe that by draping itself in the union flag the government will greatly enhance its appeal to voters.

Mrs Thatcher's statement on the Rome summit began in measured tones.

In a prepared text which bore the hallmarks of preparation by the Foreign Office and Treasury, she said that she still believed agreement could be reached among the 12.

An attack by Mr Kinnock and strongly anti-federalist comments by Mr Norman Tebbit and Mr Nicholas Ridley, Conservative party MPs, then prompted a series of tirades against the plans for a single currency and central bank.

Referring repeatedly to Britain's long-standing parliamentary and democratic traditions, Mrs Thatcher offered the unequivocal pledge that: "This government has no intention of abolishing the pound sterling".

She then linked the existence of a national currency directly to Britain's control over its own destiny.

US growth recovers to 1.8% in third quarter

By Anthony Harris in Washington

US ECONOMIC growth recovered to an annual rate of 1.8 per cent in the third quarter, according to preliminary figures from the Department of Commerce.

However, the figures are liable to revision – second quarter growth, now estimated at 0.4 per cent, was first reported as 1.2 per cent – and were greeted sceptically on Wall Street. Shares initially rose on the data but by lunchtime the Dow Jones Industrial Average index was down 8.17 at 2,422.03.

The growth figure was well above expectation and Mr Michael Darby, commerce under-secretary, promptly tried to use the GNP figures to dispel the prevailing fears of recession. He said he expected continued modest growth next year. He added that the economy was expanding faster than "cautious" White House projections of a 0.7 per cent increase this year and 1.3 per cent growth next year.

However, Mr Jerry Jasinowski, president of the National Association of Manufacturers, said industry was still forecasting a recession lasting eight to 10 months, which had already begun. He called for a further cut in interest rates.

Other official figures released yesterday showed a further sharp deterioration in the housing market.

Wall Street analysts regard the data on growth as either implausible or unsustainable, especially in the light of the record fall in consumer confidence reported last week.

The most encouraging features of the GNP report, according even to sceptics, were the moderate reported rise in inventories – partly because of unexpectedly strong car sales – and the fact that domestically generated inflation, represented in the fixed-weight GDP deflator, rose only to a 4.1 per cent annual rate, less than feared.

The weakest figure in the GNP report is for residential investment, shown falling at an annual rate of 16.4 per cent. There may, however, be worse to come: the commerce department reported that new-home sales fell in September to a seasonally adjusted annual rate of 503,000 in the month, 21.2 per cent below the figure for September last year. The latest figure was some 40,000 below market forecasts.

Framatome is returned by CGE to French state control

By William Dawkins in Paris

FRENCH public interests are to take majority control of Framatome, France's supplier of nuclear plant, ending an eight-month ownership tussle with CGE, the privatised French telecommunications and engineering group, which took a 52 per cent stake last March.

The decision represents final recognition from a formerly divided French government of the national importance of Framatome, the only builder of nuclear reactors in a country which gets 80 per cent of its electricity from nuclear fuel, the highest proportion of any country in the world.

"We have arrived at what we think is a reasonable accord, which puts an end to a political saga," said CGE, which will continue to be represented on Framatome's board. Mr Jean Claude Leny, Framatome's chairman, said: "We are satisfied with this deal, which finally settles a matter which had caused considerable problems in the life of the company."

Until recently, ownership of the plant builder hung in limbo between the state and private sector, with government interests having unspoken authority. Some members of the government wanted to let Framatome pass fully into the private sector, but President François Mitterrand argued that Framatome was too strategically sensitive to fall out of state hands.

CGE had maintained that Framatome needed to model itself on its main competitors and link up with a strong industrial partner to help it through a weak market, from which it has not received a plant order in four years. Framatome's staff took court action, since suspended, to try to block what they saw as an unwelcome attack on their management independence.

CGE will now sell a 7 per cent block of shares for FFr700m ($138.3m) to the CEA atomic energy authority, and to the Crédit Lyonnais state-owned bank, so reducing the private company's stake to 44 per cent and lifting the state to 51 per cent. This still leaves CGE with a slightly larger stake than at the start of the year, when it had 40 per cent to which it added 12 per cent acquired from Dumez, the construction group.

[illegible] the end of CGE's ambitions to run Frama-

Continued on Page 18

Air France merger deal hailed as 'competition breakthrough'

By Lucy Kellaway in Brussels and Paul Betts in Geneva

THE MERGER of Air France and two other French airlines to create one of the biggest carriers in the west was approved yesterday by the European Commission.

The merged airline, formed between Air France, UTA and Air Inter, will have annual sales of about £5.5bn and will operate 200 aircraft.

In return for the Commission's approval, the French government agreed to open its air market to competition for the first time.

Mr Bernard Attali, the Air France chairman, described the EC deal as a "balanced agreement" which would enable his airline "to move ahead with our merger".

Sir Leon Brittan, the competition commissioner, hailed the deal as "a great breakthrough in competition policy" that would provide a "real bonus for the travelling public".

The deal will mean that Air France will gradually give up its monopoly over 50 international routes as well as eight domestic air routes which account for more than half of France's domestic air traffic.

Sir Leon said that under the agreement the route restrictions on Air France will apply for four years. The arrangement will involve France introducing competition that did not exist before the merger of the three airlines took place in January.

The deal means that France will open its market before it is obliged to do so by EC legislation in 1992, and also requires it to take further competitive steps that go beyond the EC's liberalisation package.

As part of the arrangement, Air France will dispose of its 35 per cent stake in TAT, the largest of the French regional airlines, in stages ending in June 1992. The commission hopes this will provide at least one competitor that will be able to take advantage of the new route opportunities.

However, Mr Attali said in Geneva yesterday that his airline would be able to maintain its commercial and technical ties with TAT.

Air France had originally invested in a stake in TAT to guarantee itself a presence in the domestic French market. This was before it took control of Air Inter, the main domestic carrier. Control was achieved this year by its acquisition of UTA, the former independent long-haul carrier.

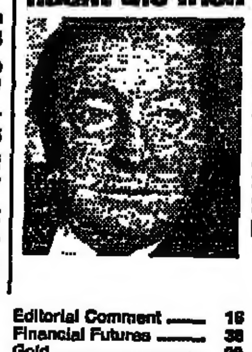
The commission will now close legal proceedings started against Air France in February following the merger which gave the national carrier a 97 per cent share of the French market.

EC officials said yesterday that the agreement would make France one of the more open EC civil aviation countries. However, there are fears that the deal will do little to dent Air France's dominant position in the French market because of the lack of French competitors.

The deal closely resembles the 1988 decision on the takeover of British Caledonian by British Airways, and is likely to set a precedent for the long awaited decision on the three-way link-up between BA, KLM Royal Dutch Airlines and Sabena of Belgium.

CONTENTS

Political history returns to haunt the Irish government



Events that took place nearly nine years ago have returned to threaten the survival of the Irish government and the switch-back career of its leader, Charles Haughey

Page 2

MARKETS

STERLING	**DOLLAR**	**STOCK INDICES**	
New York: $1.9565 (1.949)	**New York close** DM1.515 (1.52225)	**FT-SE 100:** 2,033.9 (-26.2)	
London: $1.948 (1.9535)	FFr5.0655 (5.0955)	**FT Ordinary:** 1,575.3 (24.7)	
DM2.9575 (2.9625)	SFr1.2827 (1.2925)	**FT-A All-Share:** 986.87 (-1.2%)	
FFr9.9 (9.9175)	Y128.65 (128.7)	**New York close** DJ Ind. Av. 2,446.02 (+17.82)	
SFr2.51 (2.5125)	**London:** DM1.5185 (1.5165)	S&P Comp 304.06 (+2.16)	
Y251.5 (250.75)	FFr5.0625 (5.0775)	**Tokyo:** Nikkei 25,242.40 (−86.91)	
£ index 94.8 (94.7)	SFr1.289 (1.2865)	**LONDON MONEY**	
GOLD New York: Comex Dec $381.70 (375.8)	Y129.1 (128.4)	3-month interbank: closing $13\frac{27}{32}$% ($13\frac{27}{32}$)	
London: $375.0 (372.75)	$ index 61.0 (60.6)	Liffe long gilt future: Dec $84\frac{1}{4}$ ($84\frac{1}{16}$)	
N SEA OIL (Argus) Brent 15-day Dec $34.75 (33.65)	Tokyo close: Y129.0		
Chief price changes yesterday: Page 19	**US closing rates** Fed Funds $7\frac{11}{16}$% ($7\frac{1}{2}$)		
	3-mo Treasury Bills: yield: 7.35% (7.37)		
	Long Bond: $99\frac{13}{16}$ ($99\frac{1}{32}$) yield: 8.81% (8.83)		

Commission paper claims to reflect consensus among 12 nations

'Hands off' industrial policy for EC

By David Buchan in Brussels

THE European Community should have a relatively "hands off" industrial policy, creating a sound economic environment for its companies which must chiefly depend on their own efforts to stay globally competitive.

This is the broadly liberal thrust of a paper which the European Commission, in its first ever attempt to define a general industrial policy, yesterday sent to EC governments. It claims to reflect "a broad consensus, at least implicit, among the Twelve".

Mr Martin Bangemann, the industry commissioner, said it was necessary to end the old "dogmatic quarrel" over industrial policy, which was not necessarily "an offence against the free market or simply doling out money to companies".

The Commission can now use this fairly non-interventionist yardstick of general policy to judge specific solutions to emerging problems in Europe's electronics and car sectors. Saying that free trade stimulated competition "which in turn is good for industrial development", Mr Bangemann declared that the Commission would like to abolish all the remaining 2,000 national quotas still maintained by individual EC states.

He also said that if EC governments failed to agree among themselves and with Tokyo on a transition, Japanese car imports into the EC would be totally free after the January 1 1993 date for finishing the EC single market.

However, Mr Bangemann announced he would be chairing a group of EC commissioners to plan "a technological offensive" to help European industry keep pace with the US and Japan. Yesterday he could give no details. Some Commission officials say this might end up just being a sectoral programme for the beleaguered electronics industry, because the latter takes the lion's share of Community R & D.

The EC and its members governments should, according to the Commission, focus on improving basic economic conditions for companies, raising skill levels, setting clear environmental rules, and reducing trade-distorting aids to industry. But it warns that reducing state aids inside the Community must depend on successful curbing of subsidies by the EC's trading partners.

It rejects what it calls the failed strategy of many governments to create "national champions," and vaunts the opening up of public procurement to competitive bidding within the Community.

However, it says that European mergers, which Brussels has new powers to vet, should be viewed in terms of international competition.

The implication is that Brussels would tolerate larger combines than if it were only taking the EC market into consideration.

French government gives some ground - in the air

By Lucy Kellaway in Brussels and Paul Betts in Geneva

ON MATTERS of competition, Sir Leon Brittan does not usually find himself praising France, but yesterday he did not hold back.

"I congratulate Air France and the French government for having the courage to open up their air market in a way that would have been unthinkable only a few months ago," the EC competition commissioner said, more than once.

The subtext was clear: Sir Leon was saying in a polite way that he had won. His eight-month struggle with the French over their creation of a giant air monopoly encompassing Air France, UTA and Air Inter, has ended in introducing some competition into the French market for the first time.

But Mr Bernard Attali, the Air France chairman, also claimed victory yesterday. The Commission, after all, had given the green light for the merger of his airline with UTA, the French independent long-haul carrier, and Air Inter, the French domestic airline.

This will create one of the world's largest airlines, with annual sales of FFr55bn (£5.5bn) and a fleet of 200 aircraft.

Mr Attali described the compromise with Brussels as "a balanced agreement". Under the deal, Air France is allowed to keep both Air Inter and UTA in return for giving up its monopoly on certain international and domestic routes.

At first sight, yesterday's compromise looks like a carbon copy of the earlier agreement between British Airways and the Commission over BA's takeover of British Caledonian. But the Air France deal differs from that agreement on one point. Air France has agreed to shed its 35 per cent stake in TAT, a French regional airline.

Sir Leon claimed this was an important component in the agreement because there was no point in having competitive opportunities with no competitors, and the purpose of the forced sale was to create another genuine competitor that would be able to operate some of the new routes.

But some Commission officials privately doubt whether the sale of the stake will make very much difference overall. Moreover, Mr Attali said yesterday Air France would be able to keep its technical and commercial links with TAT.

In any event, Air France now controls about 97 per cent of the French market and an independent TAT is unlikely to make any significant dent in the French state flag-carrier's domestic dominance.

The current turbulent state of the airline industry is also expected to make life especially difficult for new entrants in the French market.

Apart from TAT, the small regional airline Air Littoral, in which KLM Royal Dutch Airlines has shown an interest, could take advantage of the new regime.

Other potential French airlines which could emerge as competitors to Air France include the Minerve and Air Liberté charter carriers, which have strong financial backing.

Some Commission and French airline industry officials were worried yesterday that smaller airlines might be reluctant to apply for the routes which are being freed. These routes, they feared, could eventually revert to Air France, as has been the case with BA.

Even so, on paper at least, Air France has given up a lot: up to 50 international routes originating in France are to be opened to independent French airlines, while domestic routes accounting for half total internal traffic will also be made available, including some of the most profitable routes such as Paris-Nice and Paris-Marseilles.

These appear to be big concessions to squeeze from a government which at first seemed set against making any such concessions at all.

The Commission attributes the change in heart to two things. First to a genuine rethink in Paris on the merits of a competitive policy, brought on by the damaging strike at Air Inter last summer. Second was the real threat of being forced to unwind the deal should no agreement have been reached.

Mr Attali said the current uncertain climate for the airline industry as a whole had also accelerated the agreement. He defended the merger as crucial for Air France's long-term competitiveness.

"Before the UTA-Air Inter acquisition, we were the only major airline in Europe without access to its domestic market and to a large slice of the world. Now we have the means to compete against the big international carriers," he said. "We are not creating an Aeroflot *à la Française* as some critics have suggested."

INTERFLUG, the former East German national carrier, said yesterday it wanted to avoid being swallowed up by Lufthansa, the German national airline, and favoured a link which would preserve as many jobs as possible, write Andrew Fisher in Frankfurt and Paul Abrahams in London.

It said its idea would involve leasing eight Boeing 737 aircraft and providing jobs for some 1,200 people. The airline, based in the east Berlin airport of Schönefeld, said Lufthansa wanted to keep only about 700 jobs.

Lufthansa has proposed to the transport ministry in Bonn that it run Interflug under a trusteeship or management contract. It is already taking on around 600 of Interflug's technical staff.

The east German airline has put its concept to the Treuhand, the agency charged with the privatisation of former East German industry.

Interflug said it still prefered Lufthansa as a partner, but was also willing to work with other companies. However, it said it assumed that British Airways was no longer interested.

BA said last night it remained interested in acquiring a stake in Interflug, but the airline was still awaiting financial information from the German company.

Earlier this week Mr Heinz Ruhnau, the chief executive of Lufthansa, said British Airways' interest in Interflug was "not serious."

Marcinkus retires regretting 'villain' image

By John Wyles in Rome

THE PAPAL service yesterday lost its most colourful and controversial character with the retirement of Archbishop Paul Marcinkus. The Chicago-born son of a Lithuanian window cleaner, his role as Vatican financier in the celebrated crash of Banco Ambrosiano in 1982 remains unclear to this day.

A brief statement from the Vatican said that Pope John Paul had accepted the archbishop's request to retire as governor of the Vatican City, the job he was left with after stepping down in March from the post he had held for 18 years as head of the Institute for Religious Works (IOR) – the Vatican Bank.

A huge man, able to hit a golf ball out of sight and possessed of a great appetite for pipe tobacco and Marlboro cigarettes, the archbishop has opted to become a simple parish priest in his native US.

Once described by an English crime writer as looking "as if he had spent his life in a breakers' yard", the archbishop must have been the most unlikely candidate for Vatican preferment since the less salubrious members of the Borgia family ascended the hierarchy.

But as bodyguard to Pope Paul VI he was credited with twice saving the life of the Pope, who then perhaps concluded that muscular vigilance was just the quality needed to succeed in finance.

During the 1970s, Archbishop Marcinkus, 68, allowed his bank to develop close relations with Roberto Calvi's Banco Ambrosiano, to the extent that Italian magistrates were ready to allege that the IOR should share at least some responsibility with Mr Calvi for Ambrosiano's fraudulent bankruptcy with debts of $1.3bn.

The IOR always rejected the charge, but it did pay $250m to Ambrosiano creditors in 1984 as a gesture of goodwill, while leaving Archbishop Marcinkus still in charge. In an interview published yesterday, the archbishop said: "I will be remembered as the villain in the Calvi affair. It is always going to be that way."

Death by hanging under London's Blackfriars Bridge – still unresolved as a murder or suicide – denied Mr Calvi the final judgment of the courts, while the Vatican invoked the Concordat to protect the archbishop and two other IOR officials from Italian trials which might have cleared his name and the IOR's reputation.

Archbishop Marcinkus still maintains that he did nothing wrong, but he regrets the goodwill payment. "We should never have made that payment. I have always said that. The Italians should have looked into their own banking system." He has claimed that he only met Mr Calvi three times and that his stewardship of the IOR never really involved him in Vatican finance.

Outrage in Catalonia over 'snub'

By Peter Bruce in Barcelona

THE NATIONALIST government of Catalonia, stung by being ignored during last Sunday's visit to Barcelona by President Mikhail Gorbachev, yesterday launched a bitter attack on the Spanish central government.

Mr Jordi Pujol, Catalonia's conservative president, said efforts by the Socialist central government to marginalise Catalonia had reached their "culmination" with the Gorbachev visit.

The row will re-awaken old Catalan animosity towards Madrid and complicate Spain's already tangled efforts to devolve powers to its autonomous regions of which Catalonia is economically the most powerful.

Mr Gorbachev spent a few hours in Barcelona at the end of a visit to Spain. Mr Pujol was not given a private meeting with him and Madrid had depicted the visit as only semi-official, designed to allow Mr Gorbachev to visit the site of the 1992 Olympic Games.

It is assumed Mr Gorbachev was kept at a distance in order to prevent Mr Pujol pressing a case for Lithuanian nationalists whom he supports.

● President Gorbachev will not visit Germany this weekend as German officials had initially planned, the chief government spokesman said yesterday, AP reports from Bonn. No reason was given for the postponement but a new date in November is being considered.

VW backs bid for Skoda stake with offer to invest DM8bn

By Leslie Colitt in Prague

VOLKSWAGEN has offered to invest a total of DM8bn (£2.6bn) in Skoda in an attempt to gain a substantial stake in the Czechoslovak car-maker.

VW wants a 25 per cent share in Skoda for DM225m with an eventual target of 75 per cent, according to Czechoslovak officials. Renault and Volvo, the combined French-Swedish rival bidders for Skoda, have said they want 40 per cent and are not seeking a majority stake. They are offering to spend FFr13bn (£1.3bn) to modernise Skoda production over the next decade.

The Czechoslovak government is understood to have agreed to assume all Skoda's debt during negotiations with both western companies. It is expected to decide between the competing bids later this month, but Mr Marian Calfa, the prime minister, has already indicated a preference for VW.

General Motors of the US has dropped out of the bidding, according to Mr Karel Dyba, the Czech economics minister, but is still seeking a joint venture with BAZ, the vehicle manufacturer, in Bratislava. He regretted that Japanese carmakers had not made an offer.

Both VW and Renault-Volvo have promised to retain the Skoda badge and to expand output at the Mlada Boleslav site to well beyond the current 180,000 cars a year.

Skoda technicians are known heavily to favour VW, which five years ago offered its Polo and Golf engines for the Favorit model.

Poles finalise media sell-off

By Christopher Bobinski in Warsaw

THE POLISH government has finally approved detailed plans for the sale of eastern Europe's largest newspaper, publishing and distribution concern, confiscated earlier this year from the now-defunct Polish Communist party.

Mr Jerzy Drygalski, who is in charge of disposing of RSW Prasa Ksiazka Ruch, which employs 85,000 people, said yesterday that western newspaper publishers such as Mr Robert Maxwell, Mr Rupert Murdoch and Mr Robert Hersant had expressed interest in buying titles.

Mr Drygalski said that 118 newspapers were to be auctioned over the next six months, and a further 70 were to be handed over to co-operatives set up by the journalists who are employed there.

The state is to take over nine printing works owned by RSW, while 11 others are to be sold and five are to be leased to the new newspaper co-operatives.

Ruch also had 25,000 kiosks covering the entire country and this network, too, is to be sold. Scandinavian companies have expressed an interest, Mr Drygalski said.

● Senior Polish and German officials yesterday began a two-day meeting in Warsaw aimed at completing a border treaty and laying the groundwork for a broader pact on friendship and cooperation, Reuter reports.

Moscow to celebrate Revolution Day

Moscow's Communist party chief, Mr Yuri Prokofiev, said yesterday that next Wednesday's controversial celebration of the anniversary of the 1917 Bolshevik Revolution would go ahead, writes Leyla Boulton.

However, nobody would be forced to attend, and participants could bring banners which reflect their "various moods". The Moscow city council has called on shortage-stricken Muscovites to stay at home in protest and has refused to pay for the event.

The 'Gubu factor' returns to haunt Charles Haughey

By Kieran Cooke in Dublin

IN 1982 a series of what were described at the time as "grotesque, unbelievable, bizarre and unprecedented" events overtook the Irish government of Mr Charles Haughey and his Fianna Fail party.

Those events – known by the acronym Gubu (grotesque, etc) – included the discovery in the flat of the attorney general of a man wanted by the police (and subsequently convicted of murder) and disclosures that the minister for justice had indulged in widespread phone tapping.

Mr Haughey has been in and out of office since then but the "Gubu factor" and the events of nearly nine years ago have returned to haunt the Irish prime minister and threaten the survival of his government.

At issue now is whether, on a night in January 1982, Mr Brian Lenihan, a senior Fianna Fail figure and confidant of Mr Haughey, made a phone call to the Irish president, Dr Patrick Hillery. The government led by Mr Garrett Fitzgerald and his Fine Gael had been defeated in a parliamentary vote. Mr Fitzgerald went to the president to ask him to dissolve parliament. Fianna Fail did not want an election but wanted to form a minority government.

It is now alleged that Mr Lenihan was among a number of senior Fianna Fail members who phoned Mr Hillery in an attempt to gain a political advantage for their party.

All this might seem the stuff of political history but for the fact that Mr Lenihan, now deputy prime minister and minister of defence, is the Fianna Fail-backed candidate in the republic's presidential election.

Mr Lenihan has repeatedly denied he made any such call. Yet this seems to have been contradicted by a taped interview in May this year between an Irish academic and Mr Lenihan. In the interview Mr Lenihan admits making the call: however, he now says he made a mistake at the time of the interview. "On mature recollection," says Mr Lenihan, he did not make the phone call.

"Gubu," says the opposition, who in parliament have accused Mr Lenihan of lying and of not being fit to hold high office.

Today a motion of no confidence is due to be debated in parliament. If Mr Haughey fails to win the support of the Progressive Democrats, his partners in government, it would force a general election.

Last night the Progressive Democrats had not decided which way they would vote, while Mr Lenihan was reported by a cabinet colleague to have resigned, but then defiantly claimed he would not go voluntarily.

Until the events of the past few days, Mr Lenihan had the presidential election – to be held next Wednesday – as good as won. Mr Lenihan, 60, known as "No Problem Lenihan" because of his sunny approach to most matters, is one of the country's most senior politicians, affable, witty and liked even by his fiercest opponents. When he returned last year from a liver transplant in the US, for instance, he was applauded from all sides of the parliament.

Yet Mr Lenihan is seen by many as typical of Fianna Fail – a party accused by its opponents of wheeling and dealing and dispensing favours to its supporters.

Over the years Mr Lenihan has been fiercely loyal to Mr Haughey and many doubt his ability to be a president above party politics. Latest opinion polls show Mr Lenihan's support has slumped, in the Dublin area in particular.

The Irish presidency is not a particularly glamorous post. The president has few powers and his office is poorly funded. In the past visitors to the presidential mansion, the former vice-regal residence in Phoenix Park, have been surprised to find the president carrying out the duties of both doorman and butler.

But what would otherwise have been a lacklustre election has been set alight not only by Gubu but also by the very different characters of the candidates involved.

Mr Austin Currie is the Fine Gael candidate, a man with 30 years' political experience. But Mr Currie's problem is that he is from Northern Ireland.

Though Mr Currie is seen as having played a substantial role in winning reforms for nationalists in Northern Ireland, many in the Irish Republic see the Northerner as an outsider. (On one occasion Mr Currie was told by a member of Fianna Fail to go back home – rather a strange directive, Mr Currie points out, from a party which champions Irish unity.)

Mrs Mary Robinson is backed by both the Labour Party and the Worker's Party. It is not easy for a woman to seek high office in Irish politics. But Mrs Robinson, a lawyer of some stature, seems to have captured a new, more militant mood in Irish life.

She has talked of inequality and discrimination in Irish society. She has even questioned the role of the Roman Catholic church, and suggested allowing divorce and making contraception freely available.

At the moment Mr Lenihan and Mrs Robinson are running neck and neck. Mr Lenihan can still depend on substantial Fianna Fail support in rural areas. But Mrs Robinson, with a little help from the Gubu events of 1982, might be in with a chance.

Lenihan and Robinson: neck and neck, but the 'Gubu factor' could see her in

Bulgarian PM threatens to step down

BULGARIA'S Prime Minister, Mr Andrei Lukanov, has threatened to resign unless the opposition supports his economic programme, Reuter reports from Sofia.

Mr Lukanov, who leads a majority government composed solely of his Socialist (former Communist) party, made the threat in an interview with an opposition daily.

His programme calls for large-scale privatisation of small and medium-sized companies, an end to price controls on most goods and liberalised foreign trade.

The leader of the main opposition Union of Democratic Forces, Mr Petar Beron, said on Monday that the UDF would not support it. "Why does the government want our support?" he asked.

Labour to form Norwegian government

MRS Gro Harlem Brundtland, the leader of Norway's Labour party, yesterday agreed to form her third government after Monday's collapse of the centre-right coalition led by Mr Jan Syse in a dispute over the country's links to the European Community, writes Karen Fosli in Oslo.

"We...have to take the responsibility (to form a government) when we have a reasonable starting point," Mrs Brundtland, 51, told reporters at the royal palace in Oslo after informing Crown Prince Harald, Norway's acting head of state that she had won support from other parties to set up a minority Labour government. She is expected to take office by Friday.

The collapse of the centre-right coalition arose in a row over forming a free internal market in western Europe, the so-called "European economic area", between the European Free Trade Association, (Efta) of which Norway is a member, and the EC. The Centre party had insisted that Norway refuse to abandon its so-called concessionary laws which impede foreign ownership of property, financial institutions and industrial enterprises in the country.

Other Efta members have blamed this insistence for stalling negotiations between the EC and Efta.

Labour, the biggest party in the Norwegian parliament with 63 of the 165 seats, was able to count on support from the Socialist Left party, with 17.

The Centre's 11 seats gave it enough votes to block Mr Syse's hopes of cobbling together a new government. He was only able to gather 74 votes – those of his former coalition partners, the Christian People's Party, the radical right-wing Progress party, and his own Conservatives.

Labour has not yet clarified its position on membership, which the country narrowly rejected in a bitterly divisive 1972 referendum. However, Mrs Brundtland, a champion of environmental issues and twice prime minister, favours taking the country into the Community.

The conservative coalition had been in government for just over a year following an indecisive general election.

Under Mr Syse's administration, Norway's oil-based economy has improved, and annual inflation is running at 3.9 per cent. But unemployment is high by Norwegian standards, at 4 per cent.

Mr Syse's government had prepared a budget for 1991 which, including revenues from oil and gas, would have had a deficit of NKr5.5bn, little changed from the 1990 deficit of NKr5.3bn.

Labour has proposed a budget which will increase the deficit by at least NKr2bn, in an attempt to create 30,000 jobs. Mr Brundtland has also said that the 1991 budget presented by the outgoing coalition would not cut Norway's jobless levels and would introduce tax cuts to favour the rich.

Mrs Brundtland became Norway's first woman prime minister briefly in 1981 and returned to power from 1986 until Labour's defeat in the 1989 election.

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WORLD TRADE NEWS

Soviet oil supply deal averts trade row with Prague

By Leslie Colitt in Prague

MR Marian Calfa, the Czechoslovak prime minister and his economics minister, Mr Vladimir Dlouhy, yesterday averted a major trade dispute with the Soviet Union after Moscow agreed to supply Czechoslovakia with adequate oil supplies for 1991.

Following six hours of talks with Mr Nikolai Ryzkhov, the Soviet prime minister, it was agreed that the Soviet Union would deliver 13m tonnes of oil to Czechoslovakia in 1991. Although this is 3.5m tonnes less than the normal annual quota, it is understood that the shortfall will be met by imports from Iran and Venezuela.

The talks took place against a background of growing criticism in the Czechoslovak media about the Soviet Union's failure to meet this year's supply which should have totalled 16.6m. Since August, monthly supplies were sharply reduced leaving the country with an annual shortfall of over 2.6m tonnes.

The energy shortages prompted a wave of panic buying, as well as speculation that Czechoslovakia would not have enough oil to see it through the winter. As a result, the federal government was forced to raise the price of petrol and gas by over 30 per cent.

Under the new terms of the agreement, Czechoslovakia will pay for the oil with oil drilling equipment and consumer goods, while a percentage of the oil supplies will be paid for in hard currency. All trade between the Soviet Union and the other countries of eastern Europe switches over from the transferable rouble accounting system to the dollar clearing system on January 1.

In addition, the Czechoslovak ministers fought to get Moscow's approval for an unusual $125m oil contract signed recently by Prague with an independent-minded oil producer in Siberia.

The Soviet authorities challenged the legality of such contracts by individual republics or regions, insisting they must be approved by the central government.

The oil deal, signed in Prague with the director of the Tyumen oilfield, provided for nearly 500,000 tonnes to be delivered to Czechoslovakia. In exchange, the Tyumen region would receive badly-needed machinery, trucks, medicine, shoes and clothing.

Caracas opens opportunities for oil industry suppliers

By Joe Mann in Caracas

IMPORTANT opportunities for international suppliers of oil industry equipment and spare parts are being opened up under the 1990-95 investment plan of Venezuela's National Oil Company (PDVSA) which calls for outlays of $23bn (£11.6bn)-$24bn.

The programme is the largest in the history of the Venezuelan petroleum industry and will require increased volumes of equipment for production, refining, transportation and storage, as well as for other PDVSA operations in petrochemicals and coal.

The equipment and materials required cover a vast range, rom leased drilling rigs for exploration and development wells to purchases of drilling pipes, valves, specialised chemical products, electric generators, gas compression equipment, computer hardware and software, communications systems and spare parts.

In crude oil production alone, Venezuela plans to spend $8bn between now and 1995 to raise output potential to over 3.5m barrels a day.

In the past, US suppliers have traditionally obtained the lion's share of equipment and material sales to PDVSA.

But PDVSA is constantly evaluating offers from other international suppliers, and is ready to diversify its supply sources.

Some countries have recently increased their market share. Last year, US suppliers accounted for 59.1 per cent of PDVSA's overseas equipment and materials procurement, which totalled $588m. This was down slightly from a US share of 59.7 per cent of 1988 purchases, which totalled $561m.

In the same period, PDVSA purchases from Latin American countries grew from $7.4m to $23m. The leading individual supplier after the US was the UK, which took 8.4 per cent of PDVSA's total purchases in 1989, down from 9.2 per cent in 1988. Other suppliers are the Netherlands, West Germany, Belgium, Mexico, Japan, Switzerland and Canada.

Guinness chief urges shake-up for Seoul alcohol taxes

By John Ridding in Seoul

MR ANTHONY Tennant, chairman of Guinness, the UK wines and spirits company, yesterday urged a fundamental restructuring of South Korea's system of alcohol taxes and duties.

Mr Tennant, who is holding meetings with South Korean trade officials and the national tax administration, called government proposals to cut tax and tariff levels "wholly inadequate". A bottle of Scotch whisky in Korea would still cost more than four times its landed cost, he said.

Under the measures, to be submitted to the National Assembly this session, the liquor tax is to be cut from 200 per cent to 150 per cent and the customs defence tax eliminated. Soju, the local Korean spirit, is subject to a 35 per cent liquor tax.

The proposals failed to address the central problem of discriminatory taxes against imported liquor and Korea remained one of only two industrialised countries levying alcohol taxes on an ad valorem basis, Mr Tennant said.

Gatt regulations required identical tax treatment for imported and domestic liquor, and Korea had no way of avoiding Gatt rules if it wanted to stay in the system.

The level of taxes and duties on imported whisky is one of the main irritant in trade relations between the UK and South Korea.

Airline unhappy over routes

ASIANA Airlines, South Korea's second airline, has expressed strong dissatisfaction with the government's decision on the allocation of international air routes, John Ridding reports from Seoul.

The transport ministry has granted Asiana permission to begin services to the US, south-east Asia, and south-west Asian destinations. The policy is an attempt to stop what the ministry described as "unproductive" competition between Asiana and Korean Air (KAL), the principal national carrier.

A spokesman for Asiana said: "We are very unhappy with the decision. We cannot be expected to grow with this route allocation, and we are going to submit a proposal to the ministry that they totally reconsider".

KAL declined to comment but is also believed to be unhappy with the new system.

Unlikely leader for a European drive

CLERICAL Medical and General Life Assurance, the sixth biggest UK mutual life insurer, is an unlikely pioneer for the European life insurance drive into South Korea, Richard Lapper reports.

Mr Douglas Claisse, Clerical's sales and marketing director, said yesterday mutual life offices had long seemed "stuffy and old-fashioned", but creating an international division, CMI Group, in 1987 "added a new dimension to our strategic thinking and product development".

CMI Group had earlier set up a sales marketing office in Hong Kong and recently an office in Taiwan. It was stressing Far East and European expansion, with a fund management operation in Luxembourg. "Only US and Canadian companies were permitted to trade (in Korea) before. We had to break that barrier," Sir Douglas Morpeth, chairman, said.

Initially, Clerical's venture with Coryo Securities will involve its investing $6m (£3m). Clerical is to buy a 50 per cent stake in Coryo CM Life, currently held by Connecticut Mutual Life Insurance.

The venture with be run mainly by Coryo staff, with a UK vice-president in Seoul. It will begin by selling annuities, whole life endowments, term assurances and group severance policies. The market was "screaming out" for more quality and value, Mr Ian Phillips, market development director, said.

A policies breakthrough in S Korea

John Ridding on a further prising open of the insurance market

THE South Korean life insurance market, penetrated to date only by North American companies, has been prised open a little further.

Clerical Medical International, the Bristol-based insurance group, yesterday sealed a 50-50 joint venture with Coryo, a Korean group. It became the first European company to gain access to the world's seventh-largest life insurance market which last year alone saw premium revenues of Won11.8trillion ($16.48bn).

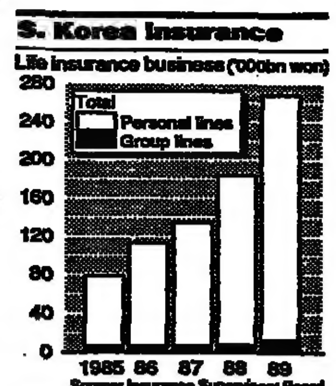
Entering Korea's substantial market was not easy. Strong lobbying by the British embassy was needed before CMI was allowed to take over the joint venture equity stake of Connecticut Mutual, a US insurance group which dropped plans to enter the Korean market because of problems at home.

CMI's success does not herald an invasion by other European companies. "CMI's case, and the fact that they took over a licence that had already been approved, is rather unusual," says another European group. "The Korean Government is concerned about too rapid an expansion in the industry and it remains difficult to get a business licence."

But the ongoing moves to liberalise international trade in services, conducted as part of the Uruguay Round of negotiations under the General Agreement on Tariffs and Trade, may bring improvement. Pressure from trading partners for greater access to Korea's protected financial services industries could widen the crack

S. Korea Insurance

Life insurance business ('000bn won)



Source: Insurance Supervisory Board

prised open in the late 1980s by the US and encourage deregulation in the market.

US companies account for all but one of the four foreign branch offices, five joint ventures and two wholly-owned subsidiaries operating in Korea. Their access, allowed from 1987, followed a trade dispute which included two actions by the US Government under Section 301 of its Trade Act.

"In Korea, being first is important," says Mr Marvin Winship, chairman of Dongbu Aetna, one of the first US joint ventures. "It gives companies time to establish their operations, hire agents and get their name known."

For some of the American companies, starting up was far from easy. Alico, part of the AIG group, was forced to cancel health and accident policies and suffered from a protracted strike by its salesforce.

The market has also become much more competitive. In addition to the foreign ones, 14 new domestic companies have been granted licences over the last three years. All are competing to win market share from the six original companies which continue to dominate the industry.

SOUTH KOREA: Insurance business (bn won)

Policy type	85	86	87	88	89
Pure endowment	18,362	18,141	44,313	125,445	202,342
Against death	30,210	41,054	36,312	9,254	9,955
Endowment	23,937	36,786	46,543	38,975	43,666
Group	7,134	7,786	8,014	9,358	14,026
Total	79,644	113,767	135,182	183,032	269,989

Source: Insurance Supervisory Board

The foreign companies have gained less than 2 per cent of total annual premiums. But all are optimistic, justified in part by the fact that only 34.5 per cent of Korean families hold life insurance policies. In the US the figure is more than 70 per cent. Moreover, the rate of new premium growth averaged more than 30 per cent a year throughout the 1980s.

Social patterns are changing too. "The Confucian practice, under which the eldest son cares for his parents in their old age, is weakening," says the Korean partner in one of the joint venture companies. "Nowadays, with more of a nuclear family system, the children just say 'goodbye dad' and that's it."

Also, Koreans are now living on average to 72 years and the country has a savings rate of 38 per cent of personal income. The economy continues to expand at well above the international average.

Until now the six major incumbents have enjoyed a relatively easy and extremely profitable business. The cash flow generated by their sales forces, usually short-term employees such as housewives, was easily transformed into profits through investment in booming real estate and stock markets.

But the increased number of companies has increased demand for skilled sales personnel, putting upward pressure on distribution costs. At the same time, the cooling off in the real estate market and the near collapse in the local stock market has depressed investment income.

Much of the challenge lies in developing better trained and educated sales forces. "We are trying to build a career agents path," says Mr Guy Bisaillon, regional vice-president of Alico.

The main message will be to promote the idea of insurance as opposed to savings. Currently, life insurance companies are competing directly with banks for the funds of the Korean saver, and the concept of insurance for protection is relatively underdeveloped. They will also introduce western insurance products as the deregulation of Korea's tightly controlled market proceeds.

Estonians and Finns link for insurance venture

POHJOLA, Finland's biggest insurance company, has signed a letter of intent to form the first Finnish-Estonian insurance joint venture company, Enrique Tessieri reports from Helsinki.

The venture is due to come into operation early next year, when the Finnish-Estonian insurance company has been granted a licence, according to Pohjola.

Initially, it is planned to offer non-life insurance services to enterprises and individuals.

Pohjola also plans to help develop a computer system for the new insurance company, and train Estonian personnel in risk management and insurance coverage. Of the existing 192 Finnish-Soviet joint ventures, 56 are located in Estonia.

The Finnish and Estonian partners have not yet decided on the size of the equity stake or how it will be partitioned.

The Estonian partners will be: Eesti Majandusjuhtide Instituut, an Estonian management institute; Baltic Union Bank; Eesti Tarbijate Kooperatiivide Vabariiklik Liit, a consumer federation, and the following banks: EVEA Pank, Eesti Hoiupank, Eesti Maapank and Talleks, an Estonian enterprise.

Pohjola, which has a Triple A rating from Standard and Poors, became the first western European insurance company to sign last autumn a co-operation agreement with Ingosstrakh, the Soviet state insurance company.

Philippines finds itself unable to meet IMF targets

By Greg Hutchinson in Manila

PHILIPPINE officials yesterday acknowledged that the country would be unable to meet economic targets set in its current three-year programme laid down by the International Monetary Fund.

The failure – blamed on the effects of the Gulf crisis – is likely to delay inflows from foreign creditors, which had been expected for the remainder of this year to have totalled about $700m (£355.3m). These include $118m in new money from commercial banks.

The government is now contemplating the replacement of the present IMF package, a stringent, growth-oriented extended fund facility (EFF), with a shorter-term loan programme emphasising stabilisation.

Mr Jose Cuisia, central bank governor, told a news conference yesterday that support for the new programme recently gained ground "when it became very evident that the budget deficit was way above target, [that] we can take measures to reduce it but perhaps not to the level programmed."

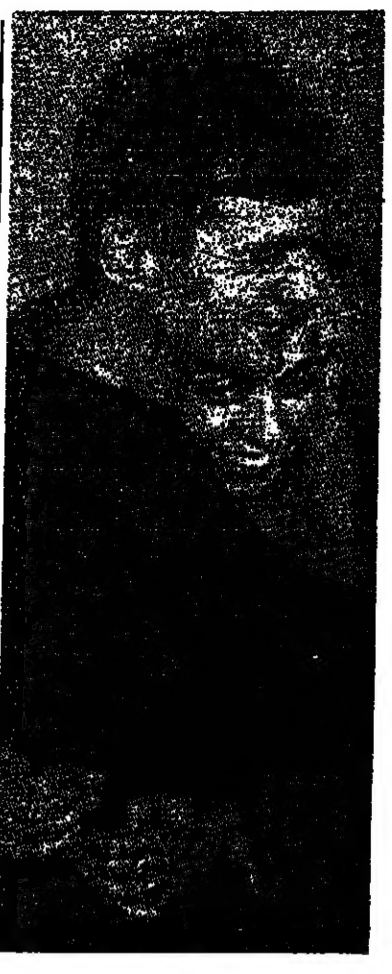
Chances were becoming "more remote" that the country would be able to continue the nearly $900m three-year EFF, an economic adjustment facility which requires meeting programmed targets to obtain satisfactory approval of the country's economic health, he said.

The world oil price rise has caused the Philippines' oil import bill nearly to double, much of the increase flowing on into a higher budget deficit as the government subsidises the pump price through its oil price stabilisation fund.

Partly because of the Gulf crisis, but also as a result of the July earthquake and political trouble, the government has halved its economic growth targets to some 3 per cent this year and next.

The total budget deficit has been estimated by Mr Jesus Estanislao, the finance secretary, to be heading towards levels exceeding the programmed targets by pesos 30bn ($1.2bn).

Mr Cuisia said that given current levels of deficits – both budgetary and balance of payments – the Philippines would not be able to press ahead with the third IMF review, originally scheduled for October, or get the Fund's stamp of approval.



● *Delighted relatives and friends* greeted the 262 French hostages and 19 other foreigners liberated by Iraq as they arrived yesterday at Paris' Charles de Gaulle airport from Baghdad, Our Foreign Staff writes.

The Frenchmen, including Pierre Sanchez above with his wife, freed after nearly three months, said the worst part was the isolation and lack of news. For US hostages, they said, life was tougher. None of the returnees reported any physical mistreatment. "Baghdad was a prison without bars," said one of the released Frenchmen. "It was a part of my life I won't forget."

● THE MIDDLE EAST

Moscow takes diplomatic centre-stage

By Robert Graham

OVER THE past month the Soviet Union has set itself up as principal diplomatic actor in moves to unblock the three-month Gulf crisis.

President Mikhail Gorbachev seems determined to show that despite profound domestic problems Moscow can play a decisive role in the Middle East, an area of long-standing rivalry with the US and where it has built up important long-term alliances – not least with Iraq.

This is seen as the key to the shuttle diplomacy of Mr Yevgeny Primakov, Mr Gorbachev's special envoy, who has just ended a second round of talks with all the principal regional players. The policy risks splitting the broad alliance ranged against Iraqi President Saddam Hussein and has found little favour in Washington even though President George Bush has been kept fully informed.

In a situation where nuances are telling, Mr Gorbachev concluded a two-day visit to Paris on Monday by making his most forthright commitment to obtain an Iraqi withdrawal from Kuwait by peaceful means.

Although French President François Mitterrand was notably silent about the Gulf in public with the Soviet leader, France remains the one western government with which Iraq believes it can establish a dialogue. The view cannot therefore be discarded that Mr Gorbachev is seeking to develop a Moscow-Paris axis for diplomatic manoeuvring over the Gulf.

Mr Primakov is to brief the Soviet leader this week in Moscow, and all the indications point to his quick return to the Middle East. After his latest round of talks in Cairo, Damascus, Baghdad and Jeddah, the broad lines of Soviet strategy have begun to emerge.

The Soviet Union is throwing its full diplomatic weight behind efforts to persuade Iraq to make a goodwill gesture to demonstrate seriousness about complying with the United Nations resolutions calling for a withdrawal from Kuwait. Moscow has told the Iraqi leadership the most positive gesture would be to release all remaining western hostages.

Only then would substantive discussions be possible on the fundamental question of an Iraqi withdrawal from Kuwait – the stated objective not only of the Soviet Union but of internationally backed sanctions against Iraq at the UN.

Public accounts of Mr Primakov's meeting with Mr Saddam in Baghdad over the weekend are confusing. Mr Primakov, who had previously shown remarkable optimism throughout his travels, came away from Iraq pessimistic. He said he had found Mr Saddam immovable.

However, Mr Gorbachev on Monday suggested Mr Saddam's position "is not the same as before" and could "lend an ear" to UN pressure. The same day the Soviet Union was co-sponsor of a new Security Council resolution demanding Iraq pay compensation to states for losses arising from the August 2 invasion of Kuwait.

According to well-informed reports in Baghdad, during his conversations over the weekend with Mr Saddam, the Soviet envoy is understood to have presented this view bluntly. Indeed, Mr Saddam was reportedly surprised by the extent to which Mr Primakov was relaying to him the hardline postion of the US and trying to mediate.

The one concession offered by Mr Saddam was to agree the release of all western hostages – provided both the Soviet Union and France went public stating they were committed to a peaceful resolution of the crisis.

It seems that on the basis of this offer, Mr Gorbachev was willing to take the initiative and make his statement in Paris. In Baghdad, official reaction to his statement was positive.

Syrian anger rises against US Mideast policy

By Lara Marlowe in Damascus

SYRIA's relations with the US have deteriorated seriously over the past week, officials in Damascus say, endangering the unity of the Arab and western forces confronting Iraq in the Gulf.

Officials trace the cooling of relations to US Senate approval earlier this month for $700m (£355.3m) in emergency military aid to Israel, but they also cite other factors behind an apparent shift away from the US.

"The US and Syria still agree that Iraq should withdraw from Kuwait," a senior Syrian official said yesterday. "But we disagree on everything else now. We believe the Americans and their western allies want to attack Iraq soon, but we will not fight the Iraqis. Syrian-American relations have reached their limit."

The Syrian government has committed 4,000 troops to the US-led military force in Saudi Arabia, and has benefited both economically, through financial aid from Gulf countries worth upwards of $1bn, and politically, through tacit US approval for the assault in Lebanon on the Christian forces of Gen Michel Aoun.

However, the government is now making it clear to Washington that it cannot be counted on to support US policy in the Gulf. "Just as Syria was the vital factor in tipping the Arab balance in support of the US deployment in Saudi Arabia, we can tip it back again," a Syrian journalist said.

Among the factors behind the Syrian government's cooler view towards Washington was anger at remarks made during the recent Damascus visit by Mr James Baker, the US secretary of state, that Syria and the US did not share the same values.

Relations have also been hurt by what Syrians perceive to have been reticent US condemnation of the Temple Mount shootings in Jerusalem and State Department criticism of Syrian "excesses" in the defeat earlier this month of Gen Aoun.

In the light of these factors, the government has opened fresh contacts with Amman, and government-owned Syrian newspapers have launched their severest anti-American campaign since the US sought to improve links with Damascus two years ago.

"The contacts with Amman are a result of America's gift to Israel," said an official in Damascus, "because the US has brought Israel into the Gulf crisis and de-stabilised the region by giving the Israelis new military aid."

Syria was particularly angered by US provision of Patriot missiles to Israel. They fear the weapon could neutralise Syria's Soviet-made Sam missiles, which they regard as their main defence against Israel.

Government officials say that such is the fear of Israeli aggression that Mr Hafez al-Assad, the Syrian president, told Mr Yevgeni Primakov, the Soviet special envoy, during the Damascus leg of his recent Middle East shuttle that Syria could not countenance the destruction of Iraqi military power since it was a necessary deterrent to Israeli might.

The central command of the National Progressive Front, Syria's highest governing body chaired by Mr Assad, meets this week and is expected to issue an important policy statement. Such meetings have never before been announced in advance.

Japanese plan high-tech venture in Soviet Union

By Stefan Wagstyl in Tokyo

OYO, a Japanese maker of geological instruments, is planning a joint venture in the Soviet Union, in what would be that country's first high-technology investment by a Japanese company.

If it goes ahead, the venture would enable the Soviet Union to acquire technology useful for exploring for oil and gas. Oyo is taking advantage of the recent relaxation of the rules of Cocom, the Paris-based committee which controls high-technology trade with communist countries, including trade in products used in the strategically important oil industry.

Japan has been ultra-sensitive about observing Cocom rules since Toshiba Machine, a machine tools maker, was found in 1986 to have exported banned items to the Soviet Union.

Under an agreement made public in Tokyo yesterday, Oyo Geospace, a Houston-based subsidiary which specialises in the oil and gas industries, will take a 40 per cent stake in a venture to manufacture seismometers at Ufa in the Bashkir Autonomous Republic, in Soviet Central Asia. Chori, a medium-sized Japanese trading company which brokered the deal, will take 5 per cent, and Soviet partners will own the remaining 55 per cent.

The venture, to be called Oyo Geo Impulse, will be capitalised at 15m roubles (£4.3m at the new commercial rate). It will start operating next summer and is intended to produce 100,000 instruments a year, rising to 1.1m in three years. Most of the output is destined for use in the Soviet Union, to boost oil and gas output to earn hard currency. But some will be exported to eastern Europe and Vietnam.

Industry analysts in Tokyo were cautious about whether it would start operating in time.

Congress urges Bush to delay military action

By Lionel Barber in Washington

REPUBLICAN and Democrat congressional leaders yesterday urged President George Bush to delay military action against Iraq until sanctions have been given a fair chance to press Baghdad into ending its occupation of Kuwait.

During an 80-minute meeting at the White House, Democrats told Mr Bush that the use of force should be a "last resort". The president, however, continued to insist that "all options are open".

The Bush administration has turned up the rhetorical heat against President Saddam Hussein, raising fears in Congress that the US might take offensive action while the House and Senate are adjourned until the New Year.

These fears have stimulated the growth of a "peace party" numbering up to 80 Democrats, many of whom argue Mr Bush cannot go to war without prior congressional approval.

Although Mr Bush promised to consult Congress in the coming two months, he vigorously resisted the notion that Congress must authorise military action. At yesterday's meeting, he left lawmakers in no doubt he intends to retain maximum flexibility as commander-in-chief of US forces.

None of the congressional leaders who attended the meeting came away with the impression that war was imminent, though Senator William Cohen, a Maine Republican, said Mr Bush's patience was "wearing thin".

Senator Claiborne Pell, Democrat chairman of the Senate foreign relations committee, expressed concern that a peremptory move toward offensive military action – without any clear Iraqi provocation – would risk losing the support of the American public.

Congressman Dante Fascell, chairman of the house foreign affairs committee, indicated the main difference turned on when Mr Bush would have to go to a full session of Congress in support of military force. "Let's take a clear scenario. If your forces are attacked by the enemy, then you have the right to respond."

The new rhetorical offensive follows concern in Washington – and London – that the credibility of the military option is eroding.

Kaifu faces defeat on sending troops overseas

By Ian Rodger in Tokyo

PROSPECTS for passage of a controversial bill to enable the Japanese government to send troops overseas on peacekeeping missions have virtually disappeared following open criticism of it this week by two influential senior politicians.

Defeat of the bill would be a severe, but probably not lethal, setback for the administration of Mr Toshiki Kaifu, the prime minister. It might also lead to renewed criticism abroad of Japan's apparent unwillingness to share the human as well as the financial risks of trying to resolve the crisis in the Gulf.

Opposition to the bill, which many fear violates Japan's pacifist constitution, has grown steadily both in the Diet (parliament) and in the country since it was introduced more than two weeks ago.

Yesterday, Mr Shin Kanemaru, leader of the largest faction in the ruling Liberal Democratic Party (LDP) and widely acknowledged to be one of the most influential behind-the-scenes figures in the government, declared his opposition.

Mr Kanemaru said the government should not send members of the Self Defence Forces overseas, because that troubled many people in Japan and in neighbouring Asian countries.

Mr Kanemaru doubted that the bill could be passed in the current session of the Diet which ends on November 10, and urged the government to study what Japan and the ruling party could do for the Gulf effort under existing laws.

On Monday, Mr Kiichi Miyazawa, the former finance minister, damned the bill with faint praise, saying that the idea of sending troops abroad was just within the bounds of the constitution, and suggesting that the bill should be passed, even if many of the revisions proposed by the opposition have to be incorporated.

The chances of the bill passing in its present form were considered low even before Mr Kanemaru's intervention. The LDP lacks a clear majority in the upper house of the Diet.

Even if the bill is defeated, many observers believe that the debate has revealed broad agreement among Japanese that their country has to contribute more than money to international peacekeeping activities. What remains unclear is how soon a more acceptable bill could be brought to the Diet.

Investment up in China

By John Elliott in Hong Kong

THE interest of foreign companies in investing in southern China began to pick up in the middle of this year after a slump that started with the Tiananmen Square crisis in Peking 16 months ago when virtually all foreign investment decisions were deferred.

The value of newly signed foreign investment contracts in Guangdong, China's most capitalist and advanced province, totalled $535m (£271.5m) in May and June, which was 44 per cent higher than the level a year earlier. There is, however, no guarantee that the projects will go ahead. Investment contracts totalling $9bn remained dormant at the end of last year, representing 66 per cent of the total signed since 1979.

Despite the improvement, based on Peking statistics, Hongkong Bank has warned that capital inflow is still suffering from last year's unrest and that statistics for the rest of this year will be inflated because of low base figures in the second half of last year.

Israeli TV and radio hit by strike

By Hugh Carnegy in Jerusalem

THOUSANDS of Israeli engineers, technicians and academics went on indefinite strike yesterday in a dispute with the government over wage agreements, shutting down most radio and television broadcasts and disrupting some other services.

Engineering unions affiliated to the Histadrut trade union federation called their workers out over the government's refusal to extend to 10 loss-making state-owned companies a two-year national wage agreement reached last week.

The two-year overall deal, granting a 9 per cent rise above separately agreed inflation compensation, has been criticised by the Bank of Israel as dangerously high at a time when a flood of immigration by Soviet Jews is adding to the strains of already high unemployment and rising inflation.

Although the proposed government exemption from the agreement only directly affects about 1,500 workers, the strike call covered about 120,000. Officials said little more than half had stayed away from work.

● Anglo American of South Africa says it will fund high-tech firms in Israel and develop their technology in South Africa, Reuter reports from Johannesburg. It did not name its associates in the venture capital fund, AATKS Ventures Ltd, and gave no details of the fund's size.

Various South African firms are already benefiting from Israeli technology, notably in the arms industry.

Germany to give Egypt crisis aid

By Katharine Campbell in Frankfurt

GERMANY is providing around DM1bn (£300m) in aid to help Egypt deal with effects of the Gulf crisis, the Development Ministry in Bonn said yesterday. The package consists of DM200m of crisis-related aid, DM235m under the regular development programme for 1991, and a sum of DM540m previously blocked because Egypt is at least DM700m in arrears in debt service payments to Bonn.

Malaysians doff their hats to ethnic traditions

Paul Taylor and Lim Siong Hoon on an election that rattled the old order until the chips were down

PERHAPS anywhere else it would seem odd that the outcome of a general election may have hung on the wearing of a "hat".

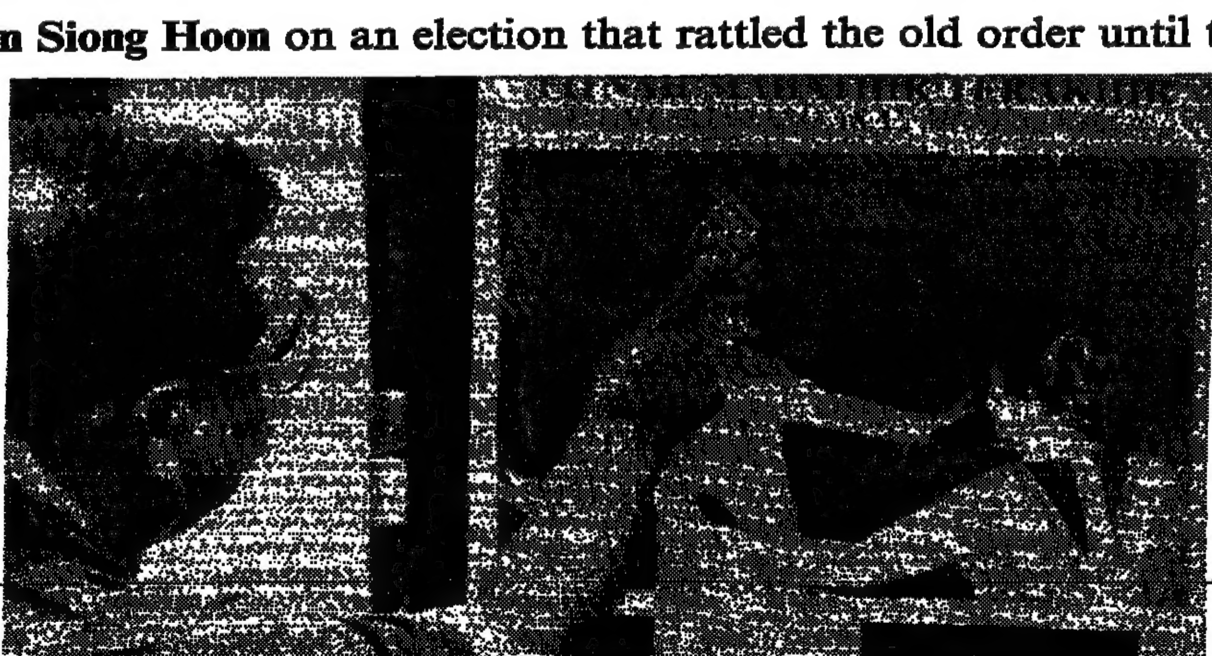
But in Malaysia many believe that a Kadazan headcloth – with what was mistakingly portrayed as a Christian cross on it – donned by opposition leader Tengku (Prince) Razaleigh Hamzah in the last few days of the campaign played a decisive role in the landslide victory of his arch-rival, Dr Mahathir Mohamad, and the National Front coalition in this predominantly moslem country.

Few believed that Dr Mahathir and his United Malays National Organisation-led ruling coalition would lose the country's eighth general elections. But for the first time since independence Umno and the National Front faced an opposition coalition which included peninsular Malays in Tengku Razaleigh's break-away Semangat '46 party and threatened to deprive Dr Mahathir of his much-vaunted two-thirds parliamentary majority.

The defection, five days before polling day, of the mainly Christian Parti Bersatu Sabah from the National Front to the opposition – the move which led Tengku Razaleigh, a former Umno cabinet minister, to go to Sabah where he was photographed wearing the headgear – clearly rattled Dr Mahathir and Umno.

The day after the Sabah visit the Umno-controlled Utusan Malaysia newspaper, which circulates mainly among rural Malay readers, and other newspapers carried the photograph. By the time the opposition retaliated – pointing to a photograph of Dr Mahathir himself wearing a similar hat – it was too late.

Umno had played its trump card – an appeal to the ethnic origins and religious beliefs of the Malay majority who make up about 55 per cent of the country's 16.9m population. Since the ethnic riots of 1969 in the Malaysian capital, Kuala Lumpur, until these last elections there has been an unwritten acceptance that Malays will be the dominant political force while the ethnic Chinese, comprising about 33 per cent and the Indians about 10 per cent have been forced to accept positive economic discrimination in favour of the Malay majority.



A voter points to the cross on the hat of Dr Mahathir in an opposition poster too late to undo the damage

That Umno felt the need to hint at the spectre of ethnic unrest in the last few days of the election campaign seems to attest to the real threat it felt from the opposition. In the event Umno and its National Front allies won a crushing victory capturing 127 of the 180 parliamentary seats.

The election itself is likely to be given a lightly qualified seal of approval by the team of Commonwealth observers sent to watch it. This despite allegations of abuse by members of the locally-based Election Watch group and other human rights activists who allege irregularities.

But even if there were abuses Malaysia still stands out in the region, if not as a model of post-colonial democracy, then with a substantially better record than many of its neighbours.

now Dr Mahathir having routed the opposition might feel confident enough to relax his firm grip on the wheels of government. But most observers think this unlikely. For one thing the National Front's actual share of the vote fell to 53 per cent, its lowest in three general elections.

In the past Dr Mahathir has sought to close any channel through which his authority might be challenged. The casualties have included judicial independence, media and individual freedom and parliamentary rights. Many of those who sided with, or worked for the opposition coalition, fear they too will now pay the price.

Such pressure might hasten what observers think would happen anyway: the disintegration of the opposition coalition now the elections are over.

But Dr Mahathir still faces challenges. The elections focused attention on growing regional discontent. In the predominantly Chinese state of Penang the DAP almost realised its ambition to rest power from the National Front.

Elsewhere the ruling coalition government now faces hostile state legislatures in both oil-rich Sabah – which shows increasing restlessness within the federation – and in Kelantan, Tengku Razaleigh's home base where the opposition coalition including the Islamic fundamentalist Parti Islam (PAS) won every state seat.

Dr Mahathir also needs to keep Malaysia's economy on course and growing. In the immediate aftermath of the elections Kuala Lumpur's stock exchange jumped, led by Umno-controlled companies such as United Engineers and Kinta Kellas.

The fundamentals of the economy are indeed impressive. Spurred by an influx of foreign investment the economy is expected to grow by around 10 per cent in real terms this year and by more than 8 per cent next, according to Mr Tong Kooi Ong, of Morgan Grenfell Asia Securities.

But there are signs that inflationary pressures are building and, because the economy is so export-orientated, the country is vulnerable to any global downturn, despite its oil revenues.

Those allied to Dr Mahathir say the election results were an endorsement of his "vision" of a new Malaysia. Through industrial reforms and a diversification away from agriculture, he wants to build a society within the next decade that would be equal to South Korea's standing today in the world. He wants to inculcate new social habits, the east Asian culture of thrift, hard work, team spirit, and acquiescence to authority.

Malaysia's election did not produce what many of the country's small but growing professional middle class had privately hoped for, the emergence of a solid multi-ethnic two-party political system.

What they did do was rattle the structure of ethnic-based politics which for two decades has been a way of life in the country. But as the Kadazan headgear affair demonstrated, ethnic politics, when exploited with force, can still determine an election outcome.

NEWS IN BRIEF

Gabon poll leaves ruling party in power

THE ruling Gabonese Democratic Party won 62 seats in the 120-member national assembly after a final round of elections, Reuter reports from Libreville. Independent candidates allied with President Omar Bongo's ruling party took three seats in Sunday's vote, giving the government a 10-seat majority. Opposition parties held 55 seats after the third and final round of voting. The poll was part of Gabon's first multi-party election since independence in 1960.

Bhutto 'rigging' claim backed

The Paris-based International Federation of Human Rights human rights group yesterday alleged that sophisticated vote-rigging wiped out Ms Benazir Bhutto's party in last week's Pakistan elections, AP reports from Islamabad. The US said it had found no reason to question the results.

Tokyo fails to please Mandela

Mr Nelson Mandela, the South African black leader, yesterday called Japan's financial contribution to the movement against apartheid "absolutely insignificant" compared with other countries, AP reports from Tokyo. According to Mr Toshiki Kaifu, the prime minister, Japan's policy is not to give assistance to political parties in other nations.

Pretoria resumes Polish ties

South Africa yesterday announced an agreement with Poland to set up "offices of interests" in each other's countries, AP reports from Johannesburg. The country recently signed trade and diplomatic agreements with Hungary and Romania, and South African trade officials visited the Soviet Union earlier this year.

China and Vietnam sign pact

China and Vietnam have signed their first bilateral agreement since ties were broken more than a decade ago, according to a Vietnamese official, Reuter reports from Peking. The agreement will allow tour groups to visit each other's countries.

Sub-Sahara aid pledge

The 25 donors to the Special Programme for Assistance for the poorest, most indebted sub-Saharan African countries yesterday announced a new commitment of $7.5bn-$8bn for 1991-1993 to help them continue economic reform programmes, Nancy Dunne writes from Washington.

US BUDGET DETAILS

PETER RIDDELL, US EDITOR, ANALYSES THE DEFICIT REDUCTION PACKAGE

Flexible targets undermine Gramm-Rudman law

THE Bush administration expects the federal deficit to be eliminated in four years, the result of budget measures and a sharp improvement in the economic outlook from late next year.

The statutory Gramm-Rudman targets for ending the deficit, introduced in 1985, have already been revised once – in 1987 – and they have now been changed again substantially.

Not only have the targets been relaxed and put back again but their basis has been changed to remove some of the big fluctuating variables. Indeed, the targets are now so flexible, particularly in response to economic changes, that they have lost whatever precision they had in the past.

While the targets might now be more achievable, this may only be because they have become more adjustable. All this undermines the spirit as well as the letter of the original Gramm-Rudman law.

For instance, the costs of the savings and loan rescue and bank deposit insurance and the surplus on the social security fund, to finance retirement pensions, have been excluded.

In fiscal 1991, for example, the social security operating surplus is estimated at nearly $49bn (£25bn)

Changing Deficit Targets - in billions of dollars

Fiscal Years	Gramm-Rudman deficit targets 1985 Version	1987 Version	1990 Version*	Actual Deficit
1986	171.9	–	–	221.2
1987	144.0	–	–	149.7
1988	72.0	144.0	–	155.1
1989	36.0	136.0	–	153.3
1990	0	100.0	–	220.4
1991	–	64.0	205.0 (253.6)	–
1992	–	28.0	197.1 (229.4)	–
1993	–	0	168.6 (129.4)	–
1994	–	–	111.6 #(−16.7)	–
1995	–	–	63.3 #(−68.3)	–

*1990 version excludes cost of savings and loan rescue and bank deposit insurance and surplus on social security fund (figures in brackets on old basis) # minus sign means surplus

Source: Office of Management and Budget

while the deficit on the deposit insurance category is put at $97bn. However, by fiscal 1995 the social security surplus is estimated at $87bn, and deposit insurance is projected to show a surplus of nearly $45bn.

Consequently, if the old definitions had been continued the deficit would have been projected to disappear by fiscal 1994, while on the new basis there will not be a balanced budget until fiscal 1996.

The budget documents, only slightly amended by the month's wrangling since the original summit agreement, show the extent of deterioration in the budget outlook. Last January the administration was projecting a deficit for fiscal 1991 of just over $100bn on current policies, falling to just below the then Gramm-Rudman target of $64bn after $36bn of budget measures.

Now the 1991 deficit on current policies is estimated at nearly $294bn with about half the increase being explained by the soaring cost of the S&L rescue and increased costs of the bank insurance fund. Most of the remaining rise reflects a deterioration in the economic outlook this year or, rather, a more realistic official view of short-term prospects.

The roughly $41bn of first-year tax and spending measures takes the total down to $254bn – before taking account of the redefined targets. Indeed, the 1991 package is less than the $36bn deficit cuts proposed last January once an adjustment is made for the expected net costs of the Desert Shield military operation in the Gulf. This is estimated at $5.7bn after deducting contributions from other countries.

The five-year $492bn package – down $8bn from the original agreement – is composed of about 28 per cent from additional tax revenues and 72 per cent from savings on spending below previously assumed levels. The main changes since the original summit agreement involve about $20bn less savings on federal benefit programmes, notably Medicare health provision for the elderly, and an extra $12bn in taxes and user fees, mainly raised from the better-off.

Higher income taxes paid by those earning more than $100,000 a year alone account for a quarter of the additional gross revenue.

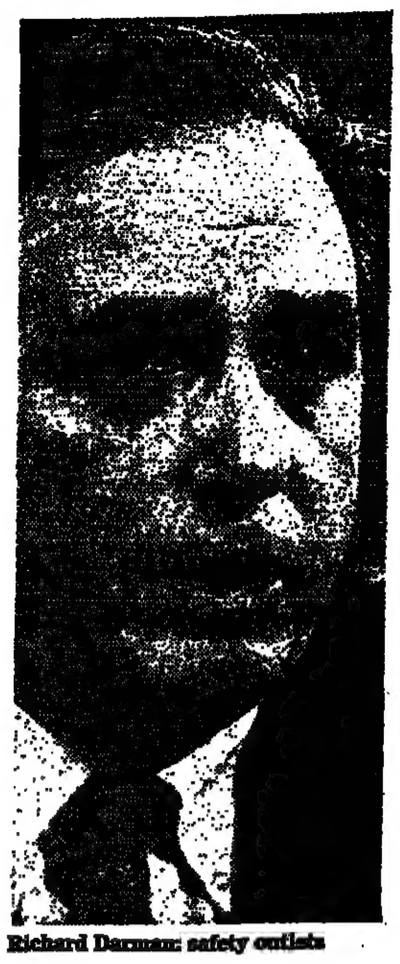
Critics have argued that the deficit projections are still on the optimistic side. For instance, real growth in gross national product is projected to accelerate from 1.3 per cent during the course of next year to 3.5 per cent during 1992 and 4.1 per cent in 1993.

Similarly, the interest rate on three-month Treasury bills is projected to decline from an average 7.7 per cent this year to 5.7 per cent in 1992 and 4.9 per cent a year later.

Moreover, the revised targets include a number of loopholes, apart from the exclusion of the Desert Shield operation and items such as Egyptian debt forgiveness.

Mr Stan Collender, director of federal budget policy at accountants Price Waterhouse, has noted that the budget director will be allowed to adjust the Gramm-Rudman deficit maximums and spending and revenue limits to account for changes in the economy. Consequently, "even a new and higher deficit forecast will not force Congress and the White House to attempt to develop another deficit reduction package."

Yet, while Mr Richard Darman, the budget director, has provided some safety outlets to cushion possibly higher estimates of the cost of the savings and loan rescue, or any further economic downturn ahead of the 1992 presidential election, the new targets suggest this is far from being the last budget package of the early 1990s.



Richard Darman: safety outlets

■ CORPORATE SECTOR

Insurance industry will pay extra $8.5bn

THE corporate sector will receive a number of benefits from the budget package, but the basic tax structure will not be altered.

Overall, higher corporate taxes account for only about 11 per cent of the nearly $165bn (£83.7bn) in gross revenue in the budget. The biggest contributor is the insurance industry, which will pay an additional $8.5bn over five years as a result of a limit on deductions on losses on property and casualty business and by reducing deductions on the cost of soliciting business.

The excise tax on the use of excess pension assets for other business purposes by a corporation is raised from 15 to 20 per cent.

Further restrictions are imposed on the ability of corporations to reorganise without paying tax.

Others will limit the flexibility of financially troubled corporations to restructure their debt.

The proposal would change the tax treatment of debt exchanges, in which a company issues new debt securities in exchange for existing debt securities.

Under current law, if the new securities have the same face amount as the old ones, a company can usually avoid a taxable gain on the exchange, even though it is creating a profit by retiring debt at a lower cost than its face amount.

The new proposal would force companies to book the new debt for tax purposes at its fair market value, which would generate a taxable gain. The only exceptions would be companies that are insolvent or in bankruptcy proceedings, and the new law might encourage such actions.

The package also includes a number of tax breaks. These include research and experimentation tax credits and reliefs for employer-provided legal services and education reimbursement, health insurance for the self-employed and subsidies for low-income housing development.

Continuing existing reliefs will cost $5.9bn over five years.

The legislation also includes nearly $2.5bn in new energy tax incentives over five years for independent oil and gas drillers as well as a $221m tax preference for production of ethanol used in alternative car fuels.

Small businesses received well over $1bn in breaks much smaller than the original $12bn package of "growth incentives".

The proposals now include aid to estates including small business assets and to smaller companies buying new equipment for productive purposes or to help disabled people.

A modification of the estate freeze rules would make it easier for retired business owners to maintain some financial ties to their company even after they have given most of it over to their heirs.

■ FOREIGN INVESTORS

Reporting requirements tightened

FOREIGN investors operating in the US will face tighter reporting requirements and consequently should pay an additional $300m (£152.2m) in taxes over the next five years.

However, more far-reaching proposals made by leading congressmen, including withholding tax on foreigners' capital gains, were dropped from both the original summit agreement and the final package.

Foreign-owned companies will have to keep records for review by the Internal Revenue Service on all tax matters, not just on transactions with related foreign parties as required under a 1989 law.

The new law also gives the IRS powers to seek information from branches of subsidiaries of foreign-owned groups.

Revenue would be generated from collection of taxes previously lost because of the expiry of the Statute of Limitations and from the imposition of penalties for non-payment of taxes. This is reinforced by the proposal to raise by two percentage points the interest rate on corporate tax underpayments over $100,000 following notification by the IRS. There is also a surtax on under declarations of income over $10m.

The new measures result from increased IRS and congressional concern about under-payment of taxes by foreign-owned companies as a result of manipulation of US declared profits caused by internal transfer pricing transactions.

While foreign investors and governments have been worried about the possible extension of extra-territorial authority, there is relief that the provisions are not as onerous as originally feared. However, further congressional inquiries are under way and new proposals aimed at foreign investors are possible next year.

MAIN POINTS OF BUDGET

- ■ Income tax - top marginal rate increased from 28 to 31 per cent
- ■ Excise tax on petrol raised by 5 cents to 14 cents a gallon; beer, cigarette and wine taxes up
- ■ New luxury tax of 10 per cent on aircraft, boats, cars, furs and jewellery
- ■ Tax rate on fuel-heavy cars doubled
- ■ Social security programme extended to all state and local workers; employees can earn $125,000 (up from $51,300) before they pay 1.45 per cent Medicare tax
- ■ Foreign investors made more accountable to Internal Revenue Service
- ■ Five-year federal entitlement programmes cut by 2.5 per cent and rules tightened to prevent overspending
- ■ Corporate taxes raised to contribute 11 per cent of budget revenue; small businesses receive over $1bn in tax breaks

■ FEDERAL SPENDING

Few cuts planned for federal spending

THE budget package makes little impact on federal spending programmes, though new enforcement rules are intended to produce a tighter discipline against overspending.

Of the overall $492bn (£249.7bn) five-year package, some $99bn comes from reductions in benefit or entitlement programmes, or only about 2½ per cent of the total expected spending in these categories over the period. Some $32.4bn is expected from reduced reimbursement payments to doctors and to hospitals and nearly $15bn from reductions in farm subsidies.

Around $182bn of the cuts come from discretionary programmes, mostly from defence.

While, as Republicans are loudly complaining, this hardly represents a willingness by congressional Democrats to cut much-liked programmes, the new rules offer the hope that these figures may be more realistic than in the past.

For the next three years, ceilings have been set for the separate categories of defence, foreign aid and discretionary domestic (thus excluding social security and health provision). If these ceilings are exceeded, the administration is required to make automatic spending cuts within each category.

Moreover, all new government benefit programmes enacted by legislation may be offset by spending cuts. The same point applies to proposed tax cuts. But this will not apply to increases in social security spending caused by changes in the economy.

In addition, tighter controls are being applied to various federally guaranteed bodies to ensure a clearer definition and congressional authorisation of the subsidy component of direct and guaranteed loans.

Further, the Treasury and the Congressional Budget Office have been directed to prepare studies on the financial soundness of such guaranteed enterprises, which are involved in home mortgage, student and agricultural loans.

■ TAX SYSTEM

Package fine tunes Reagan administration's radical overhaul

THE BUDGET package is the first significant change to the US tax system since the radical overhaul somewhat unexpectedly pushed through four years ago by the Reagan administration and Congress.

Despite raised eyebrows, architects of the 1986 reform, such as Democrat Senator Bill Bradley, believe the structure they so laboriously created is still largely intact. Writing good tax law, he has said, has always been a matter of "balancing competing goals of simplicity, efficiency and equity".

However, in view of all the elaborate compromises over tax breaks and income tax, Mr Dan Rostenkowski, chairman of the House ways and means committee, has conceded that "our quest for simplicity and clarity will have to be postponed for another day".

The aim of the 1986 changes was to broaden the definition of income in order to lower tax rates as far as possible.

This involved eliminating various tax breaks and loopholes to equalise the burden on households with similar incomes and to produce the least possible discrimination between incentives to work, save and invest.

Like any product of the US political system, the 1986 changes were imperfect, leaving a number of loopholes and large scope for deductions for mortgage-financed housing and employee fringe benefits. Nevertheless, the maximum marginal income tax rate was cut from 50 to 33 per cent and capital gains were treated as income.

The latest package amends but does not basically undermine that reform. While the old bubble – under which the very wealthy (those earning more than about $180,000 a year) paid a marginal tax rate of 28 per cent against 33 per cent for those just below this level – may have been eliminated, a new bubble has been introduced.

Dan Rostenkowski: 'quest for simplicity postponed'

The limit on itemised deductions and the phasing-out of the personal exemption will add to marginal rates, depending on family size.

The marginal tax rate rises by 0.5 percentage points for each man, woman and child in a family.

Nevertheless, the US personal tax system remains progressive as a whole and no taxpayer will pay more than 31 per cent of their income in federal income tax. Moreover, unlike the original summit package, low income workers will be substantially assisted by the final law which increases the earned income tax credit for low-wage workers, especially with families, to help pay for child care and for health insurance.

This will cost $18bn over five years.

The decision to hold capital gains tax to a maximum of 28 per cent opens up a gap with the top marginal income tax rate of between 3 and 5 per cent, depending on the impact of other tax changes. But such a differential should make little impact on incentives.

New Taxes - change in tax burden including income taxes, earned income for credit and excise taxes

Income Group	Per cent of total returns	Per cent change in taxes	Per cent share of total tax burden	Average projected tax rate
$ 10,000 and less*	30.5	−2.0	1.6	13.1
$ 10,000 to $ 20,000*	23.1	−3.2	7.2	15.1
$ 20,000 to $ 30,000	15.2	+1.8	11.8	18.8
$ 30,000 to $ 40,000	10.9	+2.0	13.4	20.4
$ 40,000 to $ 50,000	7.5	+2.0	10.2	21.9
$ 50,000 to $ 75,000	8.1	+1.5	19.9	25.1
$ 75,000 to $100,000	2.3	+2.1	7.7	26.4
$100,000 to $200,000	1.6	+2.3	12.1	26.6
$200,000 and above	0.7	+6.3	16.1	26.8

*Beneficiaries of earned income tax credit

Source: Internal Revenue Service and Joint Committee on Taxation

While this is regarded as a virtue by supporters of the 1986 reforms, it is seen as a drawback by the Bush administration and others who favour a large cut in capital gains tax to, say, 15 per cent. They believe that such a differential will be a spur to investment activity and enterprise. This battle will be rejoined next year.

Several other tax breaks are either continued or introduced.

● Income Tax. Increase in top marginal rate from 28 to 31 per cent. Elimination of current bubble under which income for joint filing couples from $78,400 to $185,760 is taxed at 33 per cent – this group will pay a top rate of 31 per cent. Raising alternative minimum rate from 21 to 24 per cent and setting a top capital gains rate of 28 per cent. Reducing itemised tax deductions by 3 per cent of adjusted gross income over $100,000 and phasing out exemptions, starting at $100,000 and ending at $225,000 for single filers, and from $150,000 to $275,000 for joint filers.

● Excise taxes. An increase of five cents to 14 cents a gallon in federal petrol tax. A rise of eight cents to 24 cents a pack in cigarette tax by 1993. Doubling of tax to 32 cents on a six-pack of beer and a rise of 18 cents to 21 cents on a bottle of table wine, with an exemption for small producers.

● New luxury tax of 10 per cent on amount over sales price of $250,000 for aircraft, $100,000 for boats, $30,000 for cars and $10,000 for furs and jewellery, including watches. Taxes do not apply to aircraft, cars and boats used exclusively for business or trade, or to leather and artificial fur.

● Fuel guzzlers. Tax rate on cars that get less than 12.5 miles/gallon will be doubled.

● User fees. Extend 3 per cent excise tax due to expire this year and increase passenger ticket tax from 8 to 10 per cent.

● Social security. Extend programme to all state and local workers. Increase cap on employee wages subject to 1.45 per cent Medicare tax from $51,300 to $125,000.

OTHER AMERICAN NEWS

Leningrad mayor meets Baker as US broadens contacts

By Lionel Barber in Washington

MR James Baker, US secretary of state, yesterday held talks in Washington with Mr Anatoly Sobchak, the reformist mayor of Leningrad, a further sign that the US intends to broaden contacts with the Soviet Union beyond President Mikhail Gorbachev.

Mr Sobchak, who left the Communist party earlier this year and ranks second only to Mr Boris Yeltsin in Soviet opinion polls, also met Gen Brent Scowcroft, President George Bush's national security adviser.

The welcome extended to Mr Sobchak contrasted with the arms-length treatment given to Mr Yeltsin and to leaders of the secessionist Baltic republics on their visits to Washington over the past 12 months.

But the rapid decline of Communist hegemony over the Soviet Union – coupled with US fears of a future break-up – has forced the Bush administration to re-evaluate its 45-year-old policy of dealing only with Moscow.

The administration has no desire to undermine Mr Gorbachev, who remains a vital interlocutor on arms control, regional conflicts and the Gulf. Instead, the new policy seeks to encourage the emerging pluralisation inside the Soviet Union illustrated by the rise of politicians such as Mr Sobchak.

During yesterday's talks, US officials asked Mr Sobchak about the recently rejected radical Soviet economic reform programme and about economic prospects this winter.

Mr Sobchak told the Wall Street Journal that fears of a "hungry winter" in the Soviet Union were exaggerated. He said the harvest was good, and cities such as Leningrad had managed to barter industrial goods for food. He also dismissed speculation of a military coup to oust Mr Gorbachev.

In a recent policy speech, Mr Baker spoke of a "darker side" to the Soviet revolution, where "standards of living are deteriorating, shortages are spreading, and the harvest is rotting" and ethnic tensions are rising.

Mr Zbigniew Brzezinksi, national security adviser to former President Jimmy Carter, told a recent Senate hearing on "Soviet disunion: creating a nationalities policy" that the US "should not help Mr Gorbachev exclusively".

Scramble on for Colombia assembly

Everyone has joined constitutional bandwagon, writes Sarita Kendall

FOUR weeks weeks away from elections for a 70-seat constitutional assembly which is to bring Colombia's institutions up to date and pave the way for peace, political parties, guerrilla groups, trades unions and drug traffickers' front men are scrambling for places.

Even the national liberation army (ELN), a hard-line movement specialising in dynamiting oil infrastructure and kidnapping, has joined the bandwagon and signed a conciliatory communiqué put out by the guerrillas' national co-ordinating body.

The communiqué, which calls for immediate peace talks and guerrilla representation in the assembly, is also signed by Colombia's biggest and oldest rebel organisation, the unregenerate Marxist group Farc.

Until now, the Government had insisted on demobilisation as a condition for participation, as well as the release of all kidnapped victims. Two seats in the assembly have been set aside for guerrillas already negotiating peace terms, such as the DPL, with the understanding that there could be more.

If the Farc and the ELN were to surrender their arms, it would be an extraordinary victory for President Cesar Gaviria, but past failures advise scepticism. Both groups have been extremely combative recently and neither has the popular appeal which gave M-19 guerrillas third place in the presidential election last May, within weeks of demobilising.

With the Liberal and Conservative parties in squabbling disarray, M-19 and other political forces are expected to win a good share of the assembly. Thirty-six seats will be enough to control it, though the Government will be putting strong, well-thought-out reforms to the assembly based on hundreds of working groups set up to collate opinions around the country.

Extradition – which had been left out of the agreed list of themes – will now certainly be raised, and almost certainly buried for good. The extradition of nationals has become increasingly unpopular in Colombia, partly because the traffickers have succeeded in linking it with retaliatory bombs and partly because of the loss of sovereignty implied.

The kidnap of Francisco Santos, news editor of the Bogota daily, El Tiempo, and six other journalists appears to be the traffickers' main bargaining card in their bid for recognition as a "political" organisation. If given this status, they would, in the same way as guerrilla fighters, be able to negotiate for a pardon.

A range of political figures and newspaper columnists now argue for political treatment for traffickers – the Liberal Party congressional block came close to agreeing on this line, and M-19 has always been in favour of a drug dialogue. Other constitutional proposals, such as a clause making it impossible for the authorities to confiscate any Colombian's property, would also benefit the cocaine cartels.

Gaviria: welcoming all

The constitutional assembly originally arose as a way to bypass congress and guarantee sweeping reforms. Some of the targets will be congressional privileges, such as free trips abroad. Increasingly, the assembly has come to represent a panacea for Colombia's problems, despite reminders that the violence has deeper and more complex roots. People working in defence of human rights are anxious to see clear definitions of, for example, military responsibility in the constitution.

A recent America's Watch report on The Drug War in Colombia, says "paramilitary activity in Colombia has become the most important element of political violence", and that the military and security forces "continue to commit violent abuses themselves, and to condone and support killings by paramilitary groups".

The Government argues that the report essentially refers to the last year of the old regime, and things are changing.

An average of three people are kidnapped and 63 people murdered every day, according to police and human rights organisations' statistics. In the first half of 1990, there were 1,300 "political and possibly political" murders.

While drug trafficking and guerrillas seem likely to occupy the limelight in the constitutional assembly, the justice system, natural resources, labour legislation and education will all be important themes. So, too, will be the use of the state of emergency – in force continuously since 1984 – to extend the President's power, and greater participation in the establishment political movements.

Thatcher defends stance on closer ties to Europe

By Ivor Owen, Parliamentary Correspondent

A DEFIANT Mrs Margaret Thatcher, the prime minister, assured the House of Commons yesterday she would maintain her stand against the surrender of further powers by the Westminster Parliament and the adoption of a single European currency.

In a strong defence of the views which led to her isolation at the Rome EC summit, Mrs Thatcher accused Mr Jacques Delors, president of the EC Commission, of seeking to expand the powers of non-elected officials and of trying to "extinguish" democracy.

Mrs Thatcher branded the Delors proposals for economic and monetary union as the "backdoor" to a federal Europe.

The prime minister labelled Mr Neil Kinnock, the Labour leader, "little Sir Echo" after he had argued that had she adopted a different approach the other EC heads of government would have been more susceptible to Britain's case.

In more conciliatory tones the prime minister forecast that the forthcoming inter-governmental conference would see the abandonment of the "grandiose" concepts which dominated the Rome summit and a return to rational discussion which would result in an outcome acceptable to Britain.

Britain, she said, would not be alone in opposing a single currency when the full implications – including the transfer of money and the massive movement of people in search of jobs in new locations – were realised by other EC members.

Mrs Thatcher also made it clear that fundamental changes needing amendment to the Rome treaty would not be possible without Britain's agreement. "You can only have a new treaty if all (12) Parliaments ratify it," she stressed.

Alan Harper

Mrs Thatcher leaving Downing Street last night before making her Commons speech attacking the Delors plan

Dismissing suggestions from the Labour benches that her firm stand would eventually be replaced by a "cave-in," the prime minister refused to accept that the "hard Ecu" proposed by Mr John Major, the Chancellor, as an alternative to Mr Delors' proposals would lead "inexorably" to economic and monetary union.

She insisted that the "hard Ecu" would not require a European central bank, and added, "in my view it would not become widely used throughout the EC."

The issue at stake was not whether the British were good Europeans, she said – "we are" - but whether there should be a democratic Europe of nation states freely co-operating together.

Mrs Thatcher stressed that she was opposed to strengthening the European Commission or transferring new powers to the European Parliament.

Acknowledging that some powers had already been surrendered by Parliament, she declared: "In my view we have surrendered enough."

She maintained that when Britain joined the EC it had been made clear that its national identity would not be surrendered and it would be contrary to that understanding if the Government were to agree to a single currency, a central European bank and the Delors definition of economic and monetary union.

Foreign language plan threatened by teacher shortage

By Norma Cohen, Education Correspondent

PROPOSALS under which secondary school pupils would study at least one modern foreign language are threatened by a severe shortage of teachers, the government's Working Group on Modern Languages said.

The proposals, endorsed by Mr John MacGregor, education secretary, are intended to ensure that school leavers unable to speak a foreign language "become an increasingly rare species".

About half of all pupils give up foreign language study at 14.

Schools will be required to offer students the chance to study at least one European language with a choice of other languages including Japanese, Arabic and Chinese.

However, the working party concluded: "Above all we are certain that our proposals will have a very limited effect unless an adequate supply of teachers can be recruited and retained within the profession and provided with the resources, in the form of both teaching materials and of time, to do the job well."

The group estimated that simply to put the proposals in effect, an additional 1,750 to 3,000 teachers are needed. The proposals are intended to be phased in over the next five years.

Teacher training methods will also have to be improved, the group said. Among other things, provision must be made for a greater variety of specialists in language tuition, the working group said.

The proposals set four attainment targets for pupils studying foreign languages. At level one, they will be expected to understand spoken language of various kinds and respond appropriately.

At level two, pupils will be required to express themselves verbally, while at level three they will be expected to be able to read, understand and respond appropriately to written language. At level four, achieved at 16, pupils should be able to formulate, record and convey meaning in written language.

The working group said it had not endorsed foreign language instruction in primary schools, not because children at this age cannot learn successfully, but because it did not believe sufficient teachers are available to do the job.

However, it hoped that the introduction of the national curriculum would result in a larger pool of qualified language teachers.

Liverpool determined to clean up its image

Ian Hamilton Fazey on the public response to an inquiry into alleged city corruption

LIVERPOOL, the city which last week hit the headlines amid allegations of local government corruption, is keen to clean up its image, according to the police in north west England.

Officers on Merseyside, who arrested 22 people last Friday over contracts and land sales involving Liverpool City Council, have been surprised by the public response to their investigation.

The welcome given to the police operation is being seen in many quarters as indicative of a general anxiety by many people to help clean up Liverpool's poor image.

Merseyside Police said yesterday, however, that it may be "well into next year" before a decision can be taken on whether or not to charge any of those arrested, inlcuding Mr Derek Hatton, the council's former deputy leader; Mr Alan Worthington, north-west regional director of Wimpey; and Mr John Gidman, the former Everton and England soccer player.

A number of current and former city councillors were also detained but all have been given police bail.

Police sweep: Derek Hatton (left) last week as he was led away for questioning

Police say that the inquiries will take months. This is not only because of the large volume of documents, ledgers, sets of accounts and computerised records seized in dawn raids on homes and offices, but also because of "hundreds" of phone calls from the public offering information.

The calls have got to be sorted and statements taken by the 30 fraud squad detectives now working full-time on the inquiry.

Business leaders are trying to put the best face on things. "At last something has happened where there was only rumour before," Mr Keith Robinson, director of Merseyside chamber of commerce and industry, said yesterday.

"It is going to clear the air one way or another. I don't think the arrests will affect the economic health of the city," he added.

The city's image will face another test today however, when thousands of council workers demonstrate at Liverpool Pier Head against the prospect of job cuts to balance the city's budget.

The demonstration has been timed one hour ahead of a city council meeting, but will have no effect on any outcome because the council's finance and strategy committee yesterday took delegated powers to resolve the budget crisis without having to report to today's council.

This followed another warning from the district auditor, the government's spending watchdog, that without urgent action to cut spending and raise revenues councillors faced surcharges and disqualification from office. This will help reduce a £10.1m deficit on Liverpool's budget of £384m. About £2m has already been saved by transferring spending into 1991-92.

The budget crisis, which recurs every year, is because the city is saddled with interest payments from 1984-87, when left-wing councillors borrowed from Japanese and Swiss banks to bridge deficits and fund council house building.

British businesses face a 10% increase in local tax

By Alison Smith

THE government will announce today that most businesses face an increase in their rates – local taxes – of at least 10 per cent next year.

Mr Chris Patten, the environment secretary, will also tell the House of Commons the amount the government will give each authority in grants as well as what it expects each local council to spend.

Mr Michael Portillo, the local government minister, revealed yesterday in a written statement that just over one in three businesses will face an inflation-adjusted, or real terms, increase in the business rate next year.

He emphasised that 20 per cent of businesses next year, particularly in the north, would still gain from the revaluation and introduction of the uniform business rate (UBR), while a further 45 per cent would face no further real terms increases.

However, he also made it clear that the business rate bills for 35 per cent of businesses would rise by up to 20 per cent above the rate of inflation.

A further 100,000 or so small businesses where the owner lives on the premises will see their real terms increase limited to 10 per cent.

The current UBR level is 34.8 pence in the pound. Today's announcement by Mr Patten is expected to set the rise in the UBR close to a maximum of 10.9 per cent which corresponds to September's inflation figure.

Treasury prepared 'to fund' Gulf forces

By John Mason

MR TOM King, the defence secretary, yesterday gave a clear indication that the Treasury is prepared to fund Britain's military involvement in the Gulf from a budget on top of that for normal defence spending.

Speaking in the House of Commons, he said the cost of maintaining British forces in the Gulf was expected to exceed £600m by the end of this financial year.

Mr King avoided going into details of the settlement of next year's defence budget reached with Treasury ministers, but said he was grateful for the support he had received from Mr John Major, the chancellor of the exchequer and Mr Norman Lamont, the chief secretary.

Although defence ministers did not know what additional costs might be incurred, they had made it clear that efforts would be made to cover them from the normal defence budget.

Mr King, however, went on to say Treasury ministers had given him an assurance of "sympathetic consideration" of any extra costs incurred.

Mr King told Mr Alan Rogers, a Labour defence spokesman, that he expected to have to bring a supplementary budget to the Commons for approval to cover the additional costs of the operation.

Mr King also repeated his insistence that the threat of military action against Iraq had to be maintained because such pressure remained the best hope of a peaceful solution.

He stressed that Britain still wanted a peaceful end to the crisis, but the message had to be sent to Saddam Hussein that, whatever happened, he would lose.

Mr Tony Benn, a former Labour minister, said that if Britain and the US rejected growing international demands for a peaceful settlement and launched a pre-emptive strike against Iraqi forces, then they would be responsible for the loss of life that would result.

It was estimated that about 100,000 people would be killed, he said.

● In a separate statement, Mr King underlined the government's opposition to developing a common European defence strategy which might undermine the transatlantic character of NATO.

Mr King said the key elements of the NATO alliance should remain an integrated military structure, a mixture of conventional and nuclear forces, the inclusion of a unified Germany and the the maintenance of nuclear weapons in Europe.

The development of a European defence strategy is due to be discussed at the inter-governmental conference to be held in December.

UK NEWS

ECONOMIC SURVEY

Employers predict full-scale recession in UK

By Peter Marsh, Economics Staff

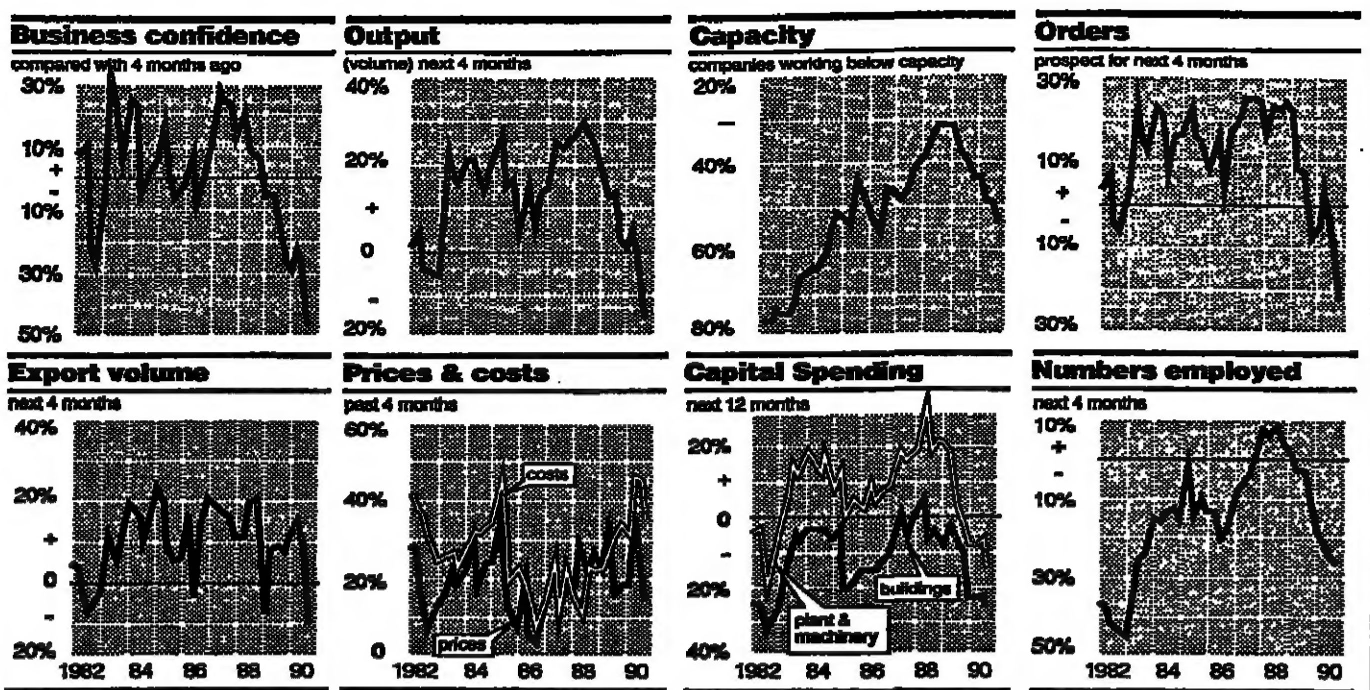
THE STRONGEST evidence so far that the UK is moving into a full-scale recession came yesterday with a survey from the Confederation of British Industry, the employers' organisation, which said manufacturers were in their worst difficulties for 10 years.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, called for a further cut in UK interest rates "sooner rather than later" to halt the fall in manufacturing output. By the end of the year, according to CBI figures, this is likely to have declined for three successive quarters.

The CBI said there was no immediate prospect of an improvement. Over the next three months up to 30,000 jobs could be lost out of a manufacturing labour force of 5.1m.

The survey, based on replies from more than 1,000 companies, will increase pressure on the government to react to gathering signs of economic recession. These have become more visible since Mr John Major, the chancellor of the exchequer, reduced interest rates from 15 per cent to 14 per cent on October 5. At the same time he announced Britain's entry into the European exchange rate mechanism.

Yesterday's survey, which was much grimmer than expected, was based on soundings from industry mostly taken after the announcement of the base rate cut and ERM entry. It showed that confidence among manufacturers was at its lowest level for 10 years, while production was falling at its fastest rate since 1981.



UK manufacturing industry accounts for about a quarter of total output. Many other areas of the economy, services for example, are highly dependent on it. The CBI's best guess was that total UK output was static or showed a slight decline between the second and third quarters of this year. Confirmation of this trend will not be possible until government statistics are released next month.

Last week Mr Major said for the first time that the UK might be moving into a recession, which is normally defined as two successive quarters of negative growth.

The Treasury said yesterday that the survey, while gloomy, "was not unexpected given the other indicators in the economy". It said the government was unlikely to cut interest rates in the immediate future while inflation was high.

For the opposition Labour party, Mr Gordon Brown, the trade and industry spokesman, said he feared "a winter of closures, bankruptcies and redundancies". He called for action in the government's autumn statement next month to boost investment in training and technology.

The CBI survey showed that business confidence had dropped sharply since its last quarterly report in July, when companies were relatively optimistic as a result of reasonably strong UK demand and healthy export markets. The London stock market reacted nervously to the survey, with the FT-SE index showing a fall of 28.2 to close at 2,033.9. Sterling fell by about half a cent and half a pfennig respectively.

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Government puts £3bn price tag on Social Charter

John Gapper, Labour Editor

EMPLOYERS will have to bear additional employment costs of about £3bn if the first draft directives on working conditions produced by the European Commission are implemented in full, the British government claimed yesterday.

Mr Michael Howard, employment secretary, said the draft directives on part-time and temporary work, working time, and maternity leave would together add immensely to employment costs and lead to a rise in unemployment.

His estimate is the first time the government has tried to cost the damage to employment prospects which it says the EC's directives under the Social Charter initiative would represent.

The statement marks an escalation in British opposition.

Mr Howard, however, emphasised that Britain would accept many of the social action programme directives following negotiation.

These directives included measures on health and safety and equal opportunities for workers.

He signalled that the government was preparing to challenge in the European Court proposals put forward under articles of the Treaty of Rome. These require only majority voting, and so will not need British support.

"In its determination to push its proposals through, the Commission has abused the Treaty of Rome itself.

A number of these directives have been put forward by the Commission under what are clearly inappropriate articles," he said.

Mr Howard told a conference on social Europe organised by the Confederation of British Industry, the employers' organisation, that the Department of Employment had estimated the cost of implementing directives on part-time and temporary work at £1bn.

Among responses from employers, he said, a trade association of about 170 companies employing 200,000 people had said the directives would make it uneconomic to employ part-time workers, and lead to 40 per cent drop in the number of jobs.

He said the draft directive on working time which seeks to limit some night shifts and require minimum levels of paid leave could mean changing 10 per cent of working patterns in Britain.

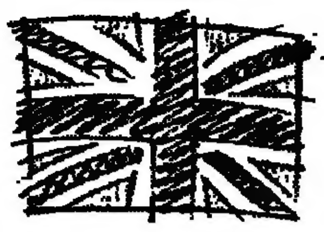
Department of Employment economists had estimated the extra costs to employers at £2bn.

"The long-term costs to industry of losing the flexibility to adapt working patterns to changing market needs are simply incalculable," he said.

Finally, the department estimated the proposed right to paid maternity leave of 14 weeks for all women employees would cost employers and workers more than £400m a year.

The inevitable result would be a loss of jobs.

BRITAIN IN BRIEF



EC to lend £150m for new bridge

The European Community is to lend £150m towards construction of a second bridge linking England and Wales across the Severn river.

The 19-year loan is for Severn River Crossing to build a six-lane bridge due to open in 1996, according to a statement by the European Investment Bank, the EC's investment arm.

Severn River Crossing, a company jointly owned by the engineering firm John Laing and GTM Entrepose of France, will be the toll operator for the first 30 years. The bridge is expected to carry 93,000 vehicles a day.

The EIB said the bridge would improve access to the regional development area of south Wales, improve communications for existing and new industries as well as tourism and "enhance the European road network".

Acer in venture with US firm

American Capital and Research Corporation, a US engineering consultant, has acquired a 20 per cent stake in Acer Group, one of Britain's biggest firms of consulting engineers.

The two have established a joint venture company to market their services worldwide.

Tube finance director goes

London Underground and its finance director have abruptly parted company just two weeks after it emerged that a £40m budget shortfall had plunged the Underground system into a cash crisis.

Mr John Hargreaves, 47, cleared his desk in London Underground's headquarters on Tuesday lunchtime and is not expected to return.

His place will be filled temporarily by his predecessor, 57-year-old Mr Jeff Allen, who is returning from early retirement until a permanent replacement can be found.

Train driver's sentence reduced

The train driver who was convicted of manslaughter after last year's rail crash at Purley, Surrey, in which five people died, has had his jail sentence reduced from six to four months by the Court of Appeal.

The decision means Mr Robert Morgan, who ignored warning signals, should be released from Ford open prison in Sussex on Friday.

Minister defends inner city policy

The government is making an effort to keep up the spirits of developers in Britain's inner cities in the face of the growing economic downturn.

In a speech that amounted to a defence of government policy Mr Michael Portillo, the inner cities minister, declared: "The government's commitment to the inner cities

Michael Portillo: remains committed to inner cities

remains strong."

The government had never said inner city development could "steam ahead at the same pace whatever the state of the world or the British economy". A few projects had been postponed, a very few cancelled and castles in the air scattered by the economic breeze.

UK spending likely to slow

UK consumer spending growth, which outpaced all other European Community countries over the past decade, will slow markedly over the next four years, according to an Economist Intelligence Unit report.

Spending, adjusted for inflation, will grow by only 12.1 per cent over the period 1989–1994. This compares with a growth rate of 28.3 per cent over the previous five years.

Household debt up in London

Household debt is an increasing problem for Londoners and is likely to remain so despite the recent cut in base rates, according to the Money Advice Support Unit.

The unit said that enquiries concerning mortgage arrears had more than doubled, while those about repossessions rose by 60 per cent in the first six months of 1990 against the same period in 1989.

Marchioness appeal rejected

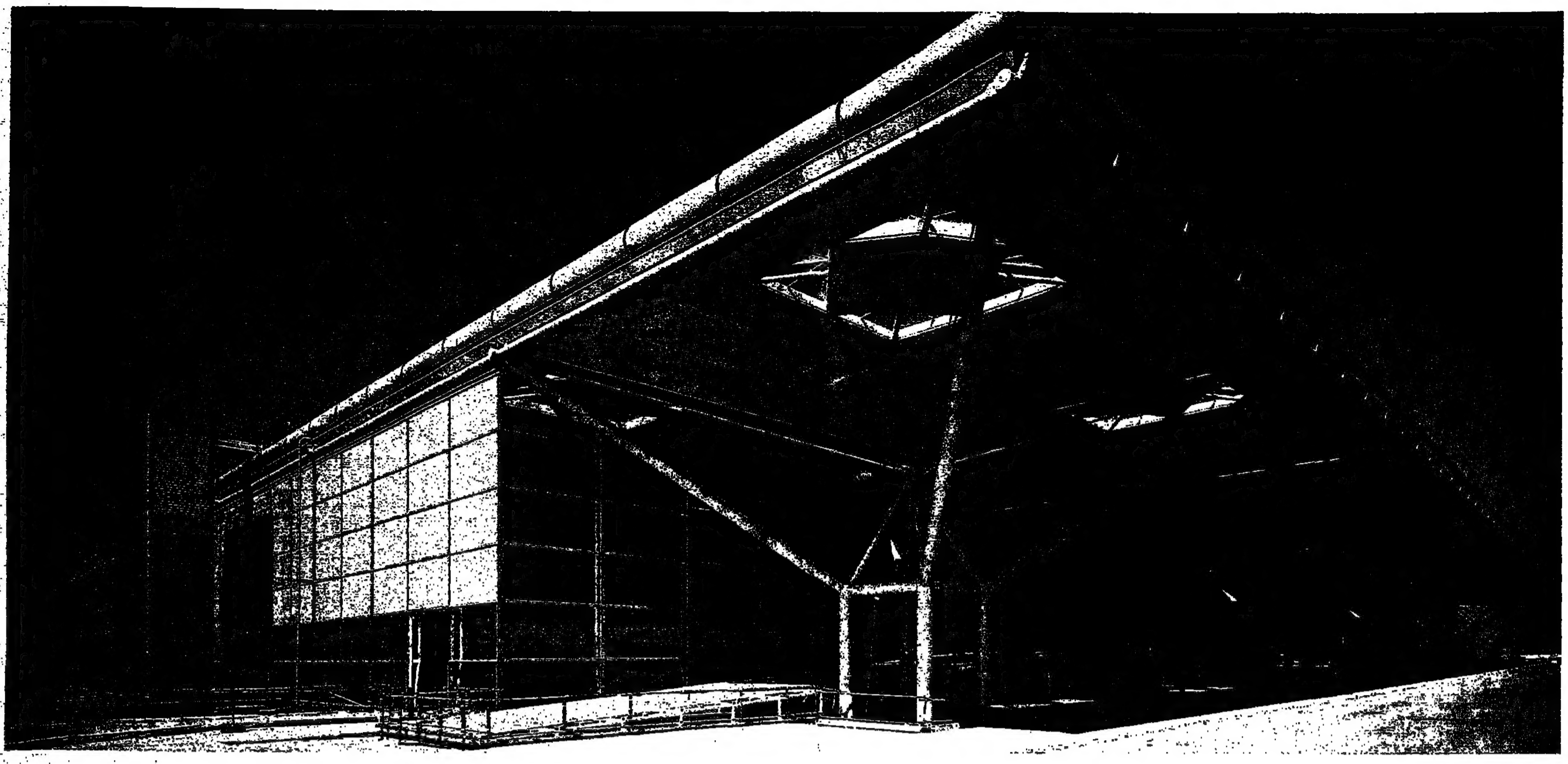
An attempt to compel the Director of Public Prosecutions to bring manslaughter charges over the Marchioness tragedy on the Thames last year has failed.

The High Court's Mr Justice Nolan refused an application by a survivor of the collision between the pleasure boat and the dredger Bowbelle, in which 51 people died, for leave to seek a judicial review of the DPP's decision not to charge anyone with manslaughter.

Brussels urged to set meat rules

Mr John Gummer, the agriculture minister, has supported a call from Britain's meat product manufacturers that Brussels spell out the standards it intends to set across Europe. Manufacturers also want to know when the standards will take effect.

"I am desperate for the European Community to get down to telling us when and where and what," Mr Gummer told the British Meat Manufacturers Association.



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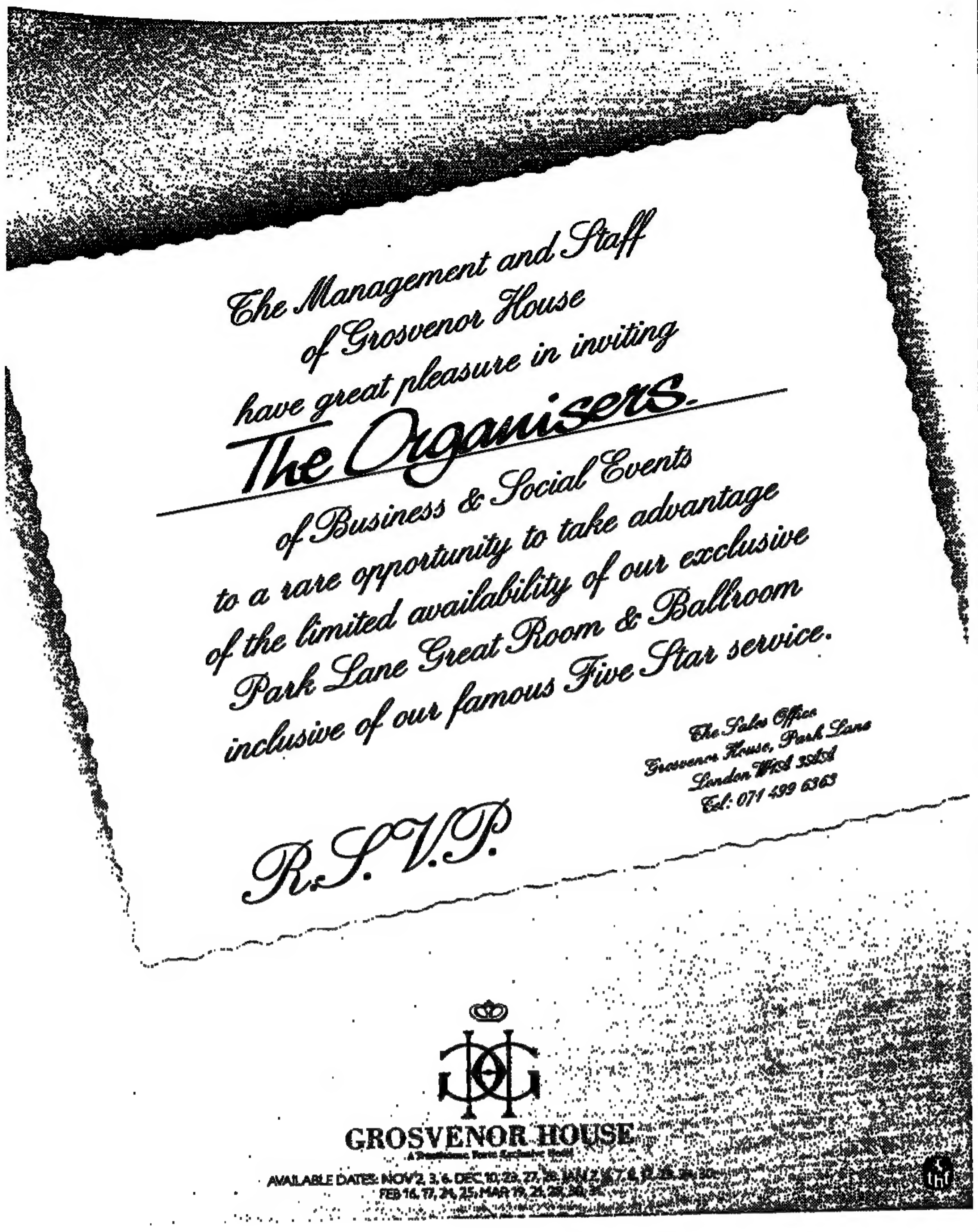

FT LAW REPORTS

Tax regulations are invalid

REGINA v INLAND REVENUE COMMISSIONERS, EX PARTE WOOLWICH EQUITABLE BUILDING SOCIETY
House of Lords (Lord Keith of Kinkel, Lord Brightman, Lord Oliver of Aylmerton, Lord Goff of Chieveley, and Lord Lowry):
October 25 1990

THE INLAND Revenue has power to make retrospective regulations to prevent building societies from escaping liability to pay sums representing investors' income tax during the changeover period from when income to be taken into account ceased to be that shown in a society's accounts for accounting years ending during the year of assessment, and became that received in the year of assessment, starting with April 6 1986. But the power extends only to the imposition of liability for sums calculated at rates applicable to the year of assessment concerned, and regulations are invalid insofar as they provide that sums shall be calculated at rates applicable to a previous year of assessment or not to a single year of assessment, but to quarterly periods falling in different years.

The House of Lords so held when allowing in part an appeal by the Woolwich Equitable Building Society from a Court of Appeal decision (*FT, April 21 1989*) that Inland Revenue transitional regulations for the payment of sums representing investors' tax were valid. It dismissed that part of the appeal relating to the Court of Appeal's decision that the Revenue had power to make regulations, Lord Lowry dissenting.

LORD OLIVER said by annual voluntary arrangement with the Revenue the Woolwich, whose accounting year ended on September 30, discharged liability for payment of sums representing investors' tax by reference to dividends and interest in its accounts in the accounting year ending in the current year of assessment.

From 1970 until the end of tax years 1985-86, the arrangements were regulated by section 343 of the Income and Corporation Taxes Act 1970.

Payment under a section 343 arrangement in any year of assessment discharged investors' liability for basic rate tax on income received in "the year of assessment", though the "amount representing income tax" was calculated, not on income received in that year, but on sums shown in the accounts for the accounting period ending in that year.

So long as successive arrangements were made on the same basis, interest paid between the end of the accounting year and the beginning of the next year of assessment would be brought into account for computation of liability in that year of assessment. If the arrangement was discontinued, there would be a "gap period" which would never be brought into account.

Section 40 of the Finance Act 1985 ended the system of annual voluntary arrangements and added a new subsection (1A) to 343, providing that the Revenue might make Regulations for 1986-87 and any subsequent year of assessment, requiring societies to pay the amount representing tax calculated at rates determined "for the year of assessment".

By the Income Tax (Building Societies) Regulations 1986, the Revenue imposed a compulsory system from April 6 1986, of quarterly collection of tax on sums actually paid in the quarter concerned.

In the absence of further provision the effect of the changeover was that payments made between the end of the accounting year and April 6 1986 would never be brought into account, for they related to 1985-86 liability which had already been discharged.

The Revenue introduced transitional provisions into the Regulations, to bring those sums into account.

Regulation 2 defined "payment quarter" as three months ending the last day of February, May, August or November.

Regulation 3 provided that societies should pay for each payment quarter, at rates "for that payment quarter". Thus, Regulation 3 charged to tax in 1986-87 income paid between February 28 1986 and April 6 1986 – ie during year of assessment 1985-86.

Regulation 11 charged to tax dividends and interest paid during 1985-86 between the end of the accounting year and February 28 1986. Regulation 11(4) charged tax at the reduced and basic rate for 1985-86.

So far as Woolwich was concerned, the effect of the Regulations was to subject it over 24 months to tax on 29 months' income, with the result that the Revenue received for fiscal years 1986-87 and 1987-88 some £76m more than it would otherwise have received for dividends and interest paid in those years.

Woolwich applied for judicial review seeking a declaration that the 1986 Regulations were unlawful. As the legislation stood when the Regulations were made, it would have succeeded. Income tax was an annual tax assessed in respect of a particular year of assessment. No precedent existed for charging tax for a particular year on the income of a period of more than a year.

Section 343(1A) enabled the Revenue only to make provision "with respect to the year 1986-87 and any subsequent year of assessment".

However, section 47(1) of the Finance Act 1986 introduced a deliberately retrospective amendment. It provided that in section 343, subsection (1A) "shall have effect and be deemed always to have effect" to enable the Revenue to make regulations requiring societies to account for sums "including sums paid or credited before the beginning of the year but not previously brought into account".

On the application for judicial review Mr Justice Nolan made the declaration sought by Woolwich. The Court of Appeal reversed his decision on the ground that the words introduced by section 47 covered interest paid between September 30 1985 and April 5 1986.

That conclusion was right. Read in its ordinary natural meaning section 343(1A) as amended authorised the Revenue to make Regulations requiring payment of an amount representing tax on sums paid before an identified year of assessment, not previously brought into account.

However, the Revenue rightly conceded that regulation 11(4) was *ultra vires*. The Woolwich argued it had the effect of invalidating regulation 11 in toto. The Court of Appeal held regulation 11 to be valid save to the extent that paragraph (4) purported to fix a rate.

If, on a fair reading shorn of the offensive part, the provision was in substance and effect different from that which the legislator intended, then none of it could stand.

It was apparent from the introduction of paragraph (4) that the one thing the draftsman did not intend was that sums artificially deemed to be paid in specified payment quarters in 1987 and 1988, should be taxed at the rate applicable for those years of assessment.

Yet if paragraph (4) were deleted that was exactly what regulation 11 achieved. Regulation 11 without paragraph (4) was in substance quite different from the regulation which the draftsman actually produced and intended.

The same erroneous assumption which produced paragraph (4) appeared in a slightly different form in regulation 3.

Regulation 3 required payment on the relevant date for each quarter of "a sum made up of the reduced rate amount and the basic rate amount for that payment quarter".

The regulation applied expressly to payments made after February 1986 and therefore covered March 1 1986 to April 6 1966 (falling in year of assessment 1985-86), and April 7 1986 to May 31 1986 (falling in year of assessment 1986-87).

Those payments therefore fell between two stools. There was no single "reduced rate amount", or "basic rate amount" for that quarter.

The regulation was *ultra vires* to that extent because the section under which it was made did not authorise the application of any rate other than that "for the year of assessment concerned", and that had to be either 1986-87, or some subsequent year.

That was not a defect which could be cured by deletion. The whole regulation would have to be rewritten.

The appeal was dismissed with regard to the power to make regulations imposing tax on sums paid during the gap period. The appeal was allowed with regard to the invalidity of regulation 11, and of regulation 3 so far as it related to the period after February and before April 6 1986.

Lord Keith and Lord Brightman agreed. Lord Goff gave a concurring judgment. Lord Lowry allowed the appeal on the ground that section 343(1A), originally or as amended, did not authorise the collection of additional tax referable to the period from October 1 1985 to April 5 1986.

For the Woolwich: John Gardiner QC, Nicholas Underhill and Jonathan Peacock (Clifford Chance).

For the Revenue: Samuel Stamler QC and Alan Moses QC (Inland Revenue Solicitor).

Rachel Davies
Barrister

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FINANCIAL TIMES SURVEY

ARCHITECTURE

Wednesday October 31 1990

With orders falling and staff being laid off, things look bleak for the profession. However, as Colin Amery finds, the competitive climate emerging from the recent surge in building and new markets in the Pacific Basin and eastern Europe are giving cause for hope

Figures point to grim future

THE ARCHITECTURAL profession is having a tough time. A recent telephone survey carried out by Architects' Journal discovered that some 78 practices expected to have laid off almost two hundred staff before the end of the year.

If these numbers are projected to cover all practices the worst scenario suggests redundancy for nearly 10,000 architects. This is almost half the *profession*. Recently the chairman of the Association of Consultant Architects, Mr Ray Moxley said that the coming year could be the worst for the profession since the Second World War.

Workload figures recently issued by the Royal Institute of British Architects show a sharp fall, and Department of the Environment figures showed an 18 per cent fall in total construction orders in the second quarter of the year, which was described as the most serious decline for a quarter of a century.

There has been a fall of some 25 per cent in inquiries to the RIBA's clients advisory service and when it comes to small works, which are the serious bread and butter for much of the profession, the decline has been as much as 35 per cent during the first six months of 1990.

There is also the added difficulty for architects caused by the relatively recent introduction of fee bidding in a competitive market. When market forces really bite there is the danger of architect eating architect as rivals allow bids on jobs to fall below RIBA recommended scales in the anxiety to secure work.

The RIBA and Carmargue Communications now publish quarterly figures called "RIBA Leads" which show that private sector non-housing commissions fell by 28 per cent during the second quarter of 1990 and housing commissions fell by the same amount.

Forecasts show that the office market is likely to fall an additional 20 per cent in the next twelve months and a 15 per cent drop is anticipated in the retail market and a 10 per cent drop in the industrial sector. Demand for new houses is *expected to drop by some 15* per cent in the same period.

Geographically the recession appears to be spreading from the South East to the Midlands and the North although Scotland continues to be healthy with an increase in workloads of 22 per cent in the second quarter.

This is probably due to a more mixed approach to business in Scotland where partnerships between the public and private sector seem to be more common and successful than in other regions.

The architectural profession is always the first to suffer when recession hits the property and construction industry and current fears about the future seem justified. Barclays Bank forecast in September that by the end of the year some 30,000 building firms will file for bankruptcy.

The decline in speculative property development is clearly serious. The inability of County Hall Development Group to raise the finance for the redevelopment of London's County Hall on a prominent Thames-side site is only one highly visible sign of the loss of confidence in the over-supplied London office market.

The high cost of building labour costs (annual growth some 9.5 per cent according to Barclays) and increasing costs of overheads affects architects as well as the developers. The recent lowering of interest rates is expected to be of modest help to developers but is unlikely to lift the clouds of gloom descending over architects' offices.

Although times are changing rapidly for the worse, the combination of a competitive climate and a rapidly growing workload which emerged during the recent property explosion made architects more aware of the need to absorb up to date business and management techniques.

New markets for skilled architects are opening up. The architectural market has become global and the potential for designers in the recovery and redevelopment of eastern Europe is enormous.

The best British architectnal firms have a good competitive edge in Europe. Design skills and originality have exported well to Europe and Japan. Sir Norman Foster, famous for his Hongkong & Shanghai Banking Corporation Headquarters in Hong Kong and soon to be more famous in the UK for his splendid new Stansted Airport, is busy in Japan and Europe.

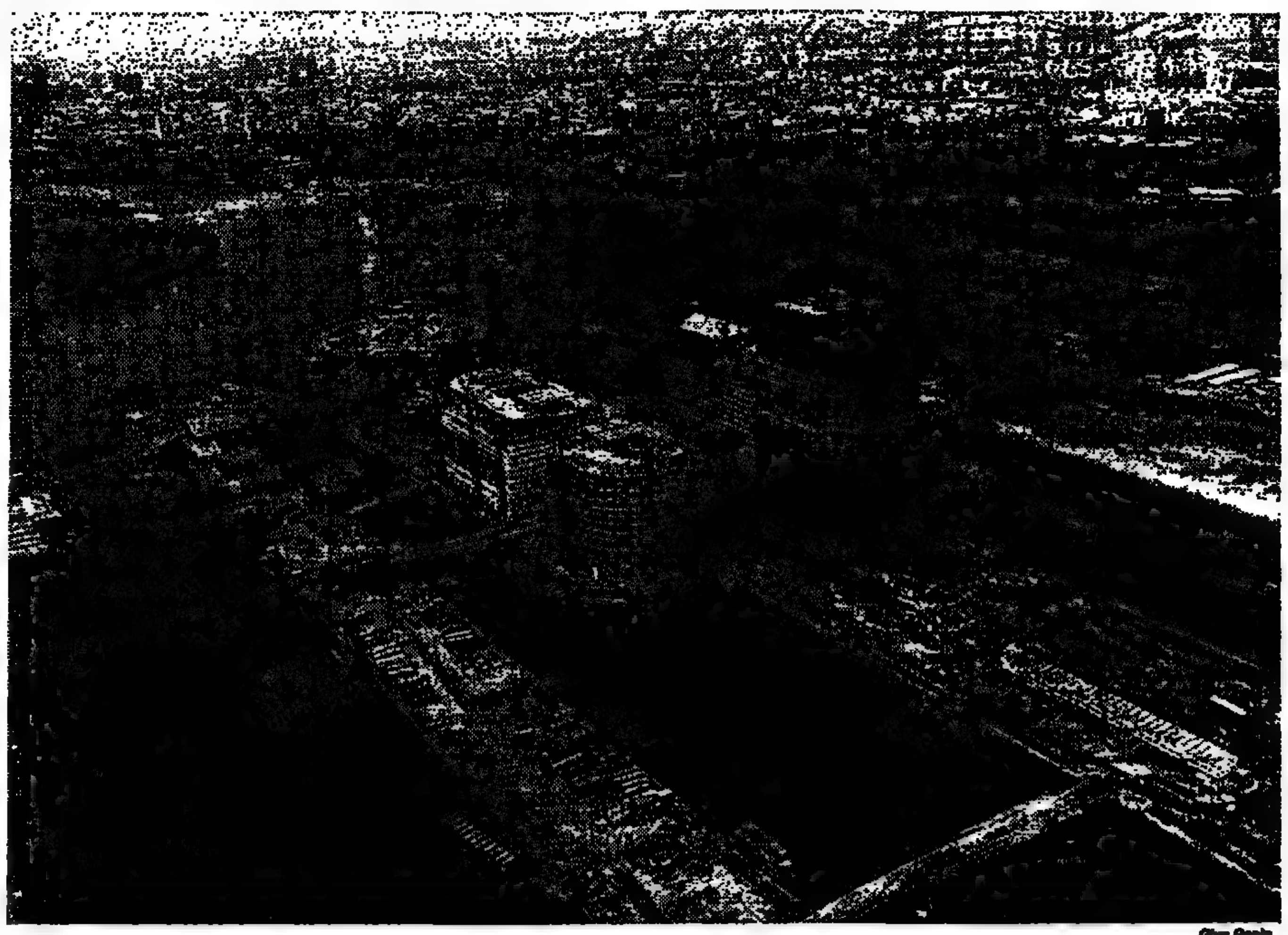
As his "Mediathèque" – new kind of media centre – nears completion in Nimes he has been invited to make a new master plan for the whole city. In Bilbao he has designed the new underground railway system and in Bordeaux he is planning a Business Centre. Mr James Stirling has plenty of work in Germany and is *extending the Brera art gallery* in Milan. In Lyons there are plans drawn up by Fairhurst of London and Manchester for a £30m business park, in collaboration with French architects Ageca.

One of Britain's best younger architects, Mr Ian Ritchie, has just completed a beautiful small pharmacy near Amiens. Even the French government approves of British architects. Mr Rock Townsend and Mr Robert Macdonald were singled out in a recent French housing ministry competition to design an area of Paris public housing.

In Frankfurt British developers MEPC are planning a major office development using British architects Sidell Gibson. Spain offers enormous opportunities – 30 large retail schemes are in the pipeline. At Seville's Expo '92 the British pavilion by Mr Nicholas Grimshaw looks as though it will be the most exciting on the site.

Eastern Europe has its problems for British firms – language, bureaucracy and funding to name but three – but many architectural practices are approaching the challenge in highly enterprising ways, realising the long term potential of the large market.

In the eastern sector of Berlin a prominent British firm, Thorpe Trent is working on a 300,000 sq m business park.



Glyn Genin

Canary Wharf in the Isle of Dogs: a slow down in development may produce better quality results in the future

Teams of British architects are now visiting Prague helped by the Czech architect Mr Jan Kaplicky of Future Systems who has long been exiled in the UK. In the next few months Mr Richard Rogers, Mr Terry Farrell, Mr Nicholas Grimshaw and Mr James Stirling will have the chance to see one of Europe's finest surviving Baroque cities.

The Seifert Group is working on two hotels, The English Court and the Rossiya in Moscow and on two large commercial developments in Budapest and the eastern sector of unified Berlin. The hotel project in Moscow is in an historic building overlooking Red Square and will provide visiting businessmen with a club-like atmosphere and residential accommodation.

It is in the area of the rescue and repair of historic buildings in eastern Europe that the British can offer a real lead. Recently, an official British delegation led by Mr John Harris visited Czechoslovakia to advise on the future of the great heritage of country houses and castles in that country. There is scope for considerable business applying some of the lessons that have been learned in the struggle to keep and repair historic buildings in Britain.

Hotels and tourism will offer enormous opportunities. An important British architectural practice, RMJM, is demonstrating the end of the cold war by designing a large golf and country club on the river in Moscow.

Another British firm Jestico Architects has taken the imaginative step of exchanging staff with a Hungarian practice to learn the ropes in their respective countries.

But it is not just the prospect of eastern Europe that should gladden the hearts of work-starved architects in the UK. There is enormous interest and enthusiasm for younger British design talents in Japan. One architect, Mr David Chipperfield, has just completed three important projects in Japan: the Gotoh Museum in the Chiba Prefecture of Tokyo, the headquarters in Okayama of the Matsumoto Group, and a design store in Tokyo. Mr Nigel Coates, an amusing and radical designer, has found an outlet for his design fantasies in night clubs and restaurants in Tokyo. The high regard which British architects and designers receive abroad makes architecture and design a potential export leader.

There is another area where architects have a great deal to offer: some members of the profession have been in the vanguard when it comes to green issues and the design of "sustainable" environments. Research and development of architectural ideas concerned with energy saving and production are well advanced. The work of a body such as the National Energy Foundation or the Milton Keynes Development Corporation deserves to be broadcast more widely.

For the time being it looks as though the best of British architectural thinking is for export, but it is to be hoped that recent important decisions about infrastructure in London will involve the design professions at an early stage.

In view of the the growth the London Docklands Enterprise Zone and the architectural quality of the unplanned development there as an example of the recent explosion in property development, the slowdown could be seen as not entirely a bad thing. The Docklands grew rapidly in a planning vacuum and we have been left with a grim muddle dominated by the vast and over-ambitious Canary Wharf.

The building surge in Britain led to an unnaturally high level of development - a slow down may well produce better quality environmental results in the long term.

IN THIS SURVEY

Competitors in eastern Europe must make long-term plans

Cash shortage limits potential

AS POLITICAL change has unlocked the repressed economies of the former communist regimes in eastern Europe, so British architects and developers have stepped forward as contenders to play a central role in reconstruction.

But even the most optimistic participants concede that building in eastern Europe is going to be a long-term game. "This is not a situation like the *Gulf states* in the 1970s when architects rushed to meet the needs of cash-rich Arabs," says Mr Garry Deighton, chief executive of UK architectural practice Aukett, which is working in Hungary. "The situation is almost the reverse. Eastern Europe has enormous needs but is strapped for cash."

The lack of hard currency is the largest single obstacle to western architects gaining a foothold behind what was once the Iron Curtain. According to leading Bulgarian architect Mr Georgi Stoilov, who is president of the International Academy of Architecture, "our economy is in a bad state because the old mechanisms have gone and the new ones aren't yet in place. I recommended an Austrian colleague for a project in the USSR but it didn't go ahead because they weren't able to pay in dollars."

British architects are not unaware of the problem. Many are developing ingenious ways around it. One route has been to open up the new markets in alliance with western developers who are able to pay architectural fees in hard currency. That is how Aukett is proceeding in Hungary, where it has been active since making a first exploratory trip in April last year.

Mr Deighton of Aukett explains that a series of fact-finding missions to meet Hungarian officials has now paid off in the shape of three projects. One is a scheme for a large shopping centre in Budapest, which includes a nine-screen cinema, ice rink, hotel and drive-in McDonalds. Aukett has lined up a French developer to build it.

Budapest: British architects are active in Hungary

"This developer has worked in Germany," explains Mr Deighton, "and regards building in Hungary as just going a few more miles down the road. Psychologically, it's not the problem it might be for a British developer." Aukett's second Hungarian scheme is a hotel-leisure centre on a 400-acre site at Lake Balaton, a former exclusive retreat for favoured Communist Party members 120km south-west of Budapest. Again, the hotelier involved in the development is French.

The third scheme is in many ways the most intriguing: a masterplan for a UK Centre for Management Excellence, to be sited in Obuda, an area rich in old Hungarian architecture which is six times the size of Covent Garden.

A trust is establishing the centre, which will enable British businessmen to explore the potential of eastern Europe. Accountants Price Waterhouse and law firm McKenna's are working alongside Aukett to attract finance for the scheme.

Deighton's message is clear: "We're not relying on the Hungarian economy to support our work. We're relying on our own ability to put people and organisations together, to find the European developers interested in investing."

Aware of French and German investment, UK developers are upping the pace. Trusthouse Forte, *for instance*, has formed a joint venture in a Warsaw hotel with Poland's state-owned tourist organisation Orbis, and has set its sights on opening a Moscow hotel on a prime island site close to the Kremlin. Meanwhile some British architects are putting a workable infrastructure in place by another route – by forming alliances of their own with eastern European architectural practices.

DY Davies, which signed a co-operation agreement in July with the state-owned Prague Project Institute (Przsky Projectovy Ustav) of Czechoslovakia, demonstrates this thinking. PPU has 800 staff, specialises in urban design, housing, industrial and leisure schemes, and is able to provide a resource at local level.

DY Davies director Mr Tim Forsyth explains how his firm will train Prague architects in western design and management techniques. "They're technically not too bad but they've never had the opportunity or experience of designing projects to make a profit," says Mr Forsyth, who regards the Czech tie-up as springboard for DY Davies to win work throughout eastern Europe.

A co-operation agreement between London-based architects Jestico & Whiles and Hungary's largest architectural practice Kozti is based on a similar philosophy. Comparison between the two firms is revealing. Jestico & Whiles has 50 staff, Kozti has 500. Yet each has the same turnover – £2m.

Mr Tom Jestico reports that monthly wages for Kozti architects are £150 to £180. In his own practice they are 10 times higher. The mismatch is not just in salaries. "Kozti is chronically under-capitalised and inefficient," says Mr Jestico.

This particular Anglo-Hungarian alliance has no work yet but is already talking to a Swiss hotel chain about sites in Budapest. "You can't expect miracles overnight," says Mr Jestico, "but if the 1995 World Expo scheduled for Budapest goes ahead, it could be a springboard."

It is no surprise that most activity by UK architects is centred on either Czechoslovakia or Hungary. According to Mr Adrian Leaman, managing director of consulting group Building Use Studies, these countries rank alongside Yugoslavia as the eastern Europe states with the most potential for UK architects. At the other end of the spectrum are Bulgaria, Poland and Albania.

Mr Leaman has been conducting a United Nations project on energy-efficient building. Several eastern European countries are involved in the study, which seeks to integrate French and British expertise in energy efficiency into local architectural practice.

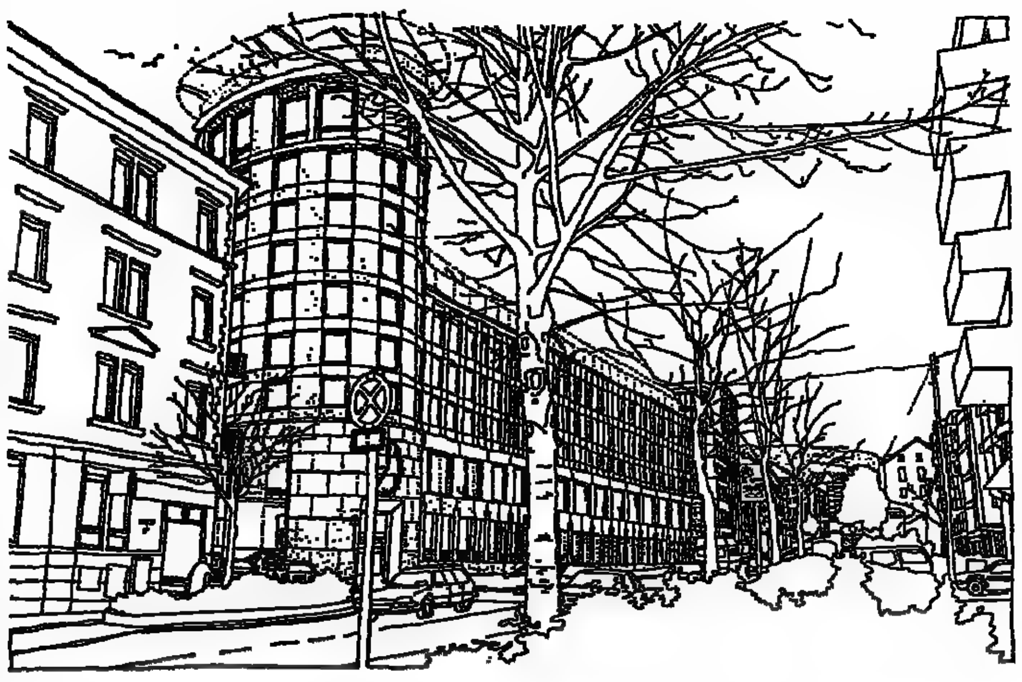
Mr Leaman has found eastern Europe to be full of architectural theoreticians who are are hampered and discouraged by impoverished budgets, low technology, and poor building and maintenance techniques. Such is the scale of the social, economic and political problems that there is not much room for design.

While western architects and developers eagerly eye up hotel and leisure opportunities, Mr Leaman claims that most locals are more concerned with cheap, basic schemes such as re-insulating inadequate 1960s panel-cladding apartment blocks. He says: "If British architects regard eastern Europe as a new Nirvana, then they are hopelessly naive."

Jeremy Myerson

NEW NAMES

Young talent is going it alone



Stuttgart West, a competition entry by Harper Mackay: "We see it as a morale booster"

FOR CENTURIES architectural competitions have been the life-blood of any young architect desperate to carve name, fame and fortune in brick, marble and mortar.

From the time when Brunelleschi was appointed in Florence to design the dome of Santa Maria del Fiore to Gilbert Scott's winning design for the Anglican Cathedral in Liverpool at the turn of this century, competitions have provided a mechanism for new talent to make its presence felt.

Many young architects would agree that both the number of competitions and volume of entries they attract have increased in recent years. This year's Dulwich Picture Gallery competition to design a new pavilion alongside Sir John Soane's masterpiece attracted a record number of 377 entries.

But it is not just the amount of competitions and entrants that are increasing. According to the Royal Institute of British Architects (RIBA), so too is the number of young architectural practices coming on to its books.

This is because of, rather than in spite of, the recession in the construction industry. The trend is for the larger architectural practices to trim running costs by laying off architects, who then set up on their own. The RIBA reckons that over the past three or four years around 500 new practices have joined the Institute.

"We have a large number of young practices as members," explains RIBA spokesman Mr Alan Meikle. "Even before the downturn, many of these set up when the property boom was at its height. They may well have been working for top name architects and once they had the experience, saw the opportunity to fly off."

The RIBA regards young as under 40, so London-based architects Mr Nic Sampson and Mr Stephen Archer, who were both 29 when they set up their practice Archer Sampson in January this year, must register as positive babes.

As Mr Meikle suggests, both followed the format of working with named architects and designers before going it alone: Mr Sampson with Derek Walker Associates and Fitch RS, Mr Archer with Mr Rick Mather.

They recognise the fact that work in the current economic climate is difficult to secure and regard entering competitions as one of the ways to solve this problem and raise their profile. This they have done with limited results. "We enter competitions because whether we win or not they do attract publicity," says Mr Sampson.

Competitions can be one way for a small practice to develop

However Mr Sampson suggests that the major reason why they were one of the 377 entries for the Dulwich Picture Gallery competition was because it was "a good opportunity" to use their new Apple Macintosh computer and enter into an architectural debate. The cost in materials to the young architects was £300. Time spent on the entry amounted to another £1,000-£1,500.

Because of the costs and time involved, they are limiting their competition involvement to one at a time. "Generally I am in favour of competitions but they are not the only way a practice can develop," says Mr Sampson.

Although Mr Ken Mackay of architectural practice Harper Mackay, which was established over three years ago, was weaned on competitions in his early working life, he waited until his own practice was established before going down that route himself.

But a recent move by Harper Mackay into competitions has not been for the potential glory, maintains Mr Mackay. "We see it as a morale booster and a cohesive point for the team. Also it's a chance to state your company's architectural philosophy and add a touch of escapism to everyday working life."

The practice entered an invited competition for Tonbridge School's new theatre, for which they were paid £2,000. The project did not result in a building commission and the cost to the young team was five times more than the fee, but Mr Mackay felt it was a worthwhile experience. "It gave us a useful introduction to the City Guilds which we wouldn't get under normal circumstances," he says.

There are also benefits for the practice portfolio. Harper Mackay recently competed alongside architect Doug Clelland against three local German architects for a development in Stuttgart described by Mr Mackay as about half the size of Broadgate. "We didn't expect to win but at least the scheme gave us the golden opportunity to work on a city scale."

But despite highlighting the advantages of certain competitions on a limited level to his own practice, Mr Mackay has misgivings about the concept of competitions generally. "Winning a competition doesn't automatically spring you to the top of the pile," he says. "What does is consistency – you need to be out there doing work and building up your experience."

Architect Mr Tom Pike has run his own practice for three years since leaving the design consultancy Tilney Pike Shane. He maintains a strict no-competition policy, declaring, "They are a complete lottery. Mostly you have no chance of winning and you don't get any money for entering."

Mr Pike says that he has seen colleagues enter competitions with great enthusiasm and present new and exciting architectural solutions – only to witness the winning scheme chosen as a replica of the existing building. "If a brilliant scheme results from the competition then the entrants can at least feel stretched, but otherwise they feel cheated – and exhausted," says Mr Pike.

According to the RIBA's Mr Allan Meikle, competitions are fine if the young architect keeps a sense of proportion about them. "They are a bit like winning the pools. Hardened architects will tell you that it is silly attitude to think you are going to win, but it is a way of keeping your creative hand in and practising your skills."

Planning limits are again being debated, writes **Brian Hanson**

Improved guidance needed

DESIGN GUIDANCE – limits set by planners on such matters as the height, bulk and materials of building – is once again a subject of energetic debate. There is clearly no lack of public support for such guidance, and there are encouraging noises on the subject coming from professional bodies.

It is now firmly on the agenda of the Royal Town Planning Institute (RTPI). The Royal Fine Arts Commission (RFAC), which includes a number of leading architects, recently dealt with it in a report.

The need for improved guidance is central to the widespread debate about the building of new villages. And the Department of the Environment under the present secretary of state has been keeping more of an open mind on the matter than in the past.

On the whole it seems a propitious time to ask what we hope to achieve with improved guidelines, and how we might obtain them.

The history of town planning in this country has been punctuated by arguments about controls, arguments which on the whole professional architects have tended to win.

Their view is that architects, being "visually educated", should not be told what to do by other professionals who are not, and that design controls prevent them from making an appropriate response to the demands of the age, reducing them to the level of "window dressers". The tighter the controls, the assumption goes, the blander the architecture.

Much ingenuity has been expended by architects over the years in uniting their cause with prevailing political attitudes. Following the First World War there were those who interpreted efforts to stem the "Octopus" of ribbon development as a nostagic longing for a lost England of great estates.

Just after the Second World War architect Lionel Brett (later Lord Esher) dismissed attempts to censor buildings as a relic of "the golden age of private enterprise", having nothing to do with socialism.

Architects are now more likely to argue that private enterprise demands as little control as possible, despite that fact that Urban Development Corporations now seem to favour them. Few would deny that there is a great deal to be gained by both private enterprise and public bodies from a more extensive and clearer system of design guidance.

The control of aesthetics remains the great unmentionable

The chief reward would be a reduction of the uncertainty which attends development at present, and which leads to considerable resources being spent by developers in divining the wishes of planning authorities. In addition the public would feel that it was at last participating in setting positive goals for development, and not merely grumbling about the horrors that slip through the net.

Planners at local level could enjoy a wider public mandate for their detailed decisions. Officials in the DoE could consequently rest easier in the knowledge that clear decisions were being made at local level, easing the flood of appeals. And it would therefore assist in obtaining the "faster decisions" called for in the recent Environment White Paper.

The existing local planning machinery is capable of being tuned to a higher degree of sensitivity – as Mr Tony Hall argues in the current issue of the RTPI's journal – and all that would be needed from central government to sanction this would be a slight redrafting of its Planning Guidance, to emphasise that good design is an interest of acknowledged importance. Something similar was one of the six recommendations of the RFAC's recent report.

So it seems at least that design guidance can now be discussed freely. There will, however, always be taboos, and the control of aethetics remains the great unmentionable.

The RFAC's report with its rather alluring title – "Planning for Beauty", – contains a brave assault on the old chestnut that aesthetics is too "subjective" to be dealt with through guidance.

However, by the end ofthe report we discover that "Beauty" has been supplanted by the hardly more objective "good design", and the notion of pattern books has been roundly dismissed.

How then do we plan "for Beauty" according to the report? Ah yes, of course, we set up local panels of professional architects to advise the planners.

There are useful measures to be taken which are not at all dependent upon the acceptance of aesthetic control. But it would be a mistake entirely to remove discussion of aesthetic issues from the public arena, and thereby continue to perpetuate the myth that only professionals can have anything useful to say about them.

A pattern-book is a prescriptive document, taking its authority from the pattern of building which predominates in a particular area. Historically, the best of them have also been a reflection of wider patterns within the building industry itself.

The Countryside Commission for Scotland has been involved over many years in exemplary study of the vernacular buildings of Scotland, and this is now being translated into design guidance.

In London's Spitalfields a pilot project is under way to compile a computerised inventory of each property in the area, so as to offer objective facts about the placebo planners and developers. The ability of the juggernaut of development to respond to context, however, has not yet shown comparable advances.

If we once again become seriously concerned to produce buildings which authentically respect the patterns of our urban and rural areas, and which give satisfaction to those who look at them, and use them, the logical conclusion would be that a great deal of our present approach to land assembly, finance, and the allocation of resources in building would have to change.

Rather than providing us with bland coverings for buildings which are quite different underneath – a recurrent criticism of Quinlan Terry's Richmond scheme – we might then see the full significance of pattern books, which is that they provide us with templates for an improved way of building.

This is not a new idea. Thirteen years ago the US architect Christopher Alexander said in his book A Pattern Language that "when you build a thing you cannot merely build that thing in isolation, but must also repair the world around it, and within it".

If we wait for this realisation to take effect, however, nothing will happen in the foreseeable future. There is still a lot we can do now, without changing very much at all, and there could surely not be a better time to act.

Wendy Smith asks whether quality will accompany quantity

Leisure attracts investment

WHILE OTHER industries suffer in the economic downturn, Britain's burgeoning leisure business is attracting the attention of developers who previously favoured investing in retailing, housing or office schemes.

Leisure analyst Mr Rory Malcolm of County NatWest says this is because leisure has shown a steady growth pattern for the past 10 years. Mr Malcolm claims that demographic factors have contributed especially the expansion of the "grey" market, older, affluent people seeking second holidays and weekend breaks. Meanwhile, older parents are also demanding better quality child-oriented holidays.

The figures support the notion of a leisure surge. According to the English Tourist Board report, Investment in Tourism, we are now seeing the highest level of investment in hotels (more than £1.4bn) for 15 years.

Meanwhile a survey produced by economic forecasting group Staniland hall Associates has predicted that the increase in consumer spending on leisure will be 8.7 per cent and outstrip the 6.5 per cent rise in overall consumer expenditure over the next five years.

The Henley Centre for Forecasting puts the total 1989 leisure spend at £75.5bn with an increase of £82bn in 1990. But Rory Malcolm believes that the figure of £82bn may well be optimistic. "Leisure in general is slowing down, showing that the discretionary spend has been hit by the current economic climate," he says.

Downturn or not, leisure continues to pull the punters and also attract both British architects and US practices, which regard a London office as a springboard into Europe.

Some US firms who have moved into Britain have considerable leisure experience. Californian practice WAT & G, for example, has worked in hotel resort and leisure since 1945. WAT & G principal Mr Ron Van Pelt sees a great opportunity in European leisure. "European, like Americans, are expecting better value for their money."

Many American architects are, of course, involved in the much publicised Euro Disney, which will open on a 57 hectare site at Marne la Vallee, 30km east of Paris, in 1992.

In Britain leisure schemes are also growing larger and more sophisticated. The UK already has 15 theme parks, according to a Mintel report, and last year 9.4 million people visited them and spent £105m. There are more to come. Wonderworld, an £800m theme park at Corby which has been in the planning stage for more than 10 years, should, if it ever opens, be one of the biggest of its kind in the world attracting more than 4m visitors.

Other schemes on the drawing boards include the Spielberg-inspired £2bn movie theme park for Rainham Marshes in Essex. There are plans to add a theme park to Woburn Abbey and Building Design Partnership has designed a £1m theme park at Humcoat in Lancashire.

But as Britain and the rest of Europe is swamped with themed "phantasy", hotels and resorts, will there be any room for architectural standards, or will the leisure industry be epitomised by minimal creativity and giant sheds?

Mr John Csaky, director of leisure at designers and architects Fitch R S, feels that it is dangerous to assume that the lower end of the leisure market is representative of all architectural standards. "The image for leisure has been of low quality with a low budget aimed at that low level vulnerable market," he says.

"Too often the high design input is simply seen as a glossy veneer"

Fitch R S is working on a series of five holiday villages for the Granada Laing joint venture Lakewoods, due for completion by 1993. This, says Mr Csaky, will show the leisure sector in a more mature light. "It has already been three years since the project's inception and there has been design input right from the outset."

Ms Lynn Wilson, principal of Anglo American leisure design specialist McColl Wilson, admits there has been resistance to decent design standards at the lower budget end of the spectrum due to both economy and taste. But at the five star end, Quality has risen as the holidaymaker becomes more sophisticated.

Ms Wilson has recently worked with architect Mr Gunter Kollberg on a 250-bed hotel in the Canary Islands where the the side of the mountain was blasted to create an environmentally sympathetic structure with rooms landscaped into the mountain side.

But leisure is not all about contrived theme parks or exclusive hotels for the rich recluse. Cultural leisure falls within the pocket of most members of the public and this is one area in which many architects feel they can excel creatively.

Mr Ken Moth, architect associate in Building Design Partnership's Manchester office, which worked on the Greater Manchester Museum of Science and Technology, is dismissive of much large scale "fun" leisure. "Too often the high design input is simply seen as a glossy veneer," he says.

Mr Moth believes that a discerning public exists along with discerning clients who, despite relatively low budgets, expect high quality architectural design. B D P has recently completed a children's museum in Manchester sited in former British Rail goods yard. Although its form and detail are contemporary, the design respects neighbouring buildings, claims B D P.

"I am a committed conservationist but I believe that it is a dead end architecturally to try and make new buildings look old," says Moth.

GOING PUBLIC

Path strewn with casualties

THE PATH which has taken a number of architectural firms from private partnership to public company status over the past four years has not so much been paved with gold as strewn with casualties.

Even now, the walking wounded on the Stock Exchange are still trying to figure out why flotation has been so traumatic in so many cases for architects.

One explanation is that architectural practice, which is concerned with building in the long term, is incompatible with the short-term operation of the City. As one disillusioned architect complained recently: "It's all so fickle – they support you one minute and jump out the next."

In truth, the image of architecture in the City is suffering from two associations. One is with the "people" business concept, which is now firmly out of vogue as falling advertising stocks have shown. The other is with the construction sector, which is in a parlous state because of the high cost of borrowing money.

But publicly-quoted architects have also been shooting themselves in the foot. James Capel analyst Mr Tim Steer

Architects have to shoulder the responsibility for educating the City

says that architectural firms have "performed pretty poorly" on the Stock Market in the main. He claims that architects "went to the market with crazy ratings" but singles out YRM, Aukett Associates and DY Davies as "the pick of a bad bunch".

Company of Designers, which braved the choppy waters of the USM in the dismal days directly after the October 1987 financial crash, typifies the trend. This architecture, retail and design conglomerate has pushed ahead with acquisitions in the UK and overseas despite being plagued by high costs and constant breakdowns in its computer systems.

Its financial accounting has suffered – and so has its performance. Last year pre-tax profits slumped from £2.5m to £1.5m and the firm has just warned that it will make a loss for this year to end-September.

Whinney Mackay Lewis, which shared with fellow architects Tribble Harris Li and DY Davies the distinction of being among the 10 worst USM share performers in 1988, has also suffered a profits collapse – interim profits to October last year fell to a low of £150,000. Meanwhile troubled USM-quoted American architects Tribble Harris Li has just announced heavy losses and the departure of Gerald Li, the second of its three founding partners to quit.

Mr Steer says: "There has to be a question mark over how some architects have made the transition from partnerships to public companies. The culture is so different – in a partnership, they didn't even need an audit."

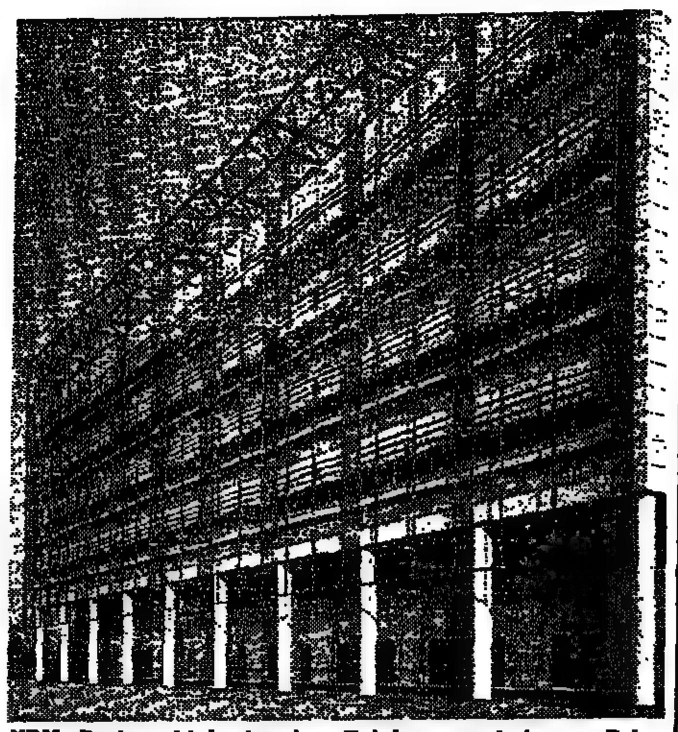
Not all architects have done so badly. DY Davies, which was the first architectural firm to go public in 1986, has steadied the ship after a stormy passage. Pre-tax profits for the year to April 1990 showed a respectable 17 per cent rise to £1.5m on turnover up from £11m to £13m.

Director Mr Tim Forsyth does not regret the decision by DY Davies to float: "Our turnover has tripled since going public. That wouldn't have happened if we'd remained a partnership."

Mr Steer believes that the qualities to look for in a public architectural practice are: the type and spread of its clients; its use of new technology, such as labour-saving computer-aided design; its multi-disciplinary breadth, including such skills as planning, engineering, and project management; and its ability to keep borrowings under control.

By these criteria, he suggests that only two firms – YRM and Aukett – can be considered by the City to be of genuine quality. Not surprisingly, these practices are the only ones to have gone for a full listing. YRM chairman Mr Brian Henderson says that the path chosen has been less traumatic for his firm than others because "YRM has always claimed to be good at strong management".

Mr Henderson believes that "a full public quotation suggests that you know how to manage your affairs and speaks a lot for the firm."



YRM Partnership's London Telehouse: chairman Brian Henderson believes a full listing speaks a lot for the firm

YRM went public three years ago and has assiduously built an international platform for its multi-disciplinary skills, which extend from interiors to structural engineering. In August it bucked building sector trends with a 16 per cent rise in pre-tax profits to £3.1m on turnover up from £19.5m to £27.5m.

Mr Henderson is sanguine about the tough times ahead in building and rejects the idea that public companies are better-equipped to deal with recession than partnerships. But he maintains : "When a firm has so many partners that they can't all meet, it devalues the concept of partnership. Going public at least allows you to get some value for your company, to make some money."

But Mr Michael Aukett, chief executive of Aukett, is less sure that he would not reconsider his options if he had his time again. Aukett went public in February 1988 and maintained its steady promise in June this year by turning in highly respectable interims. Profits shot up 24 per cent to £947,000.

Yet Mr Aukett says: "The City is responsible for creating the hype that any size of business should go on the market, but architectural firms are basically too small. We don't begin to command any position under a market capitalisation of £50m."

With the benefit of hindsight, Mr Aukett believes now that he would have waited another three years to grow to a bigger size before tangling with the institutions: "They seduce you to go in and when the market goes on its knees, they don't support you. How do our share-holding staff feel when they see the market dip?"

One way round the problem of lack of scale in financial eyes has been for architects to join broader publicly-quoted design and communications conglomerates. Fitch Benoy is part of the Fitch RS design group. McColl, which owns architect Geoffrey Reid, belongs to Martin Sorrell's WPP group flagship.

McColl chairman Mr Stewart McColl, who once courted a listing in an abortive alliance with architects Covell Matthews Wheatley, believes that the financial clout that comes with belonging to WPP has made a significant improvement to the running of his business.

In the long term, however, there is still the suspicion and ignorance in the City of what architects actually do to be overcome. YRM's Mr Henderson believes you cannot blame others – architects have to shoulder the responsibility for educating the City. But Mr Aukett says he already spends too much time trying to satisfy brokers and analysts. "They find it difficult to understand what quality buildings are for. It's all about building businesses, it's a complex affair. It's not about keeping the rain out."

Jeremy Myerson

PACIFIC RIM

West looks at design prospects in the East

NOBODY DOUBTS the economic power of the Pacific Rim. Such is the industrial growth in the region that it is tipped to provide the dominant commercial motif in the 21st century in the same way that the US has dominated this century or the 19th century is regarded as belonging to the British.

Not surprisingly British, US and mainland European architects want to be part of the new construction in the region. Out of a total world market for architectural and design services estimated at $31bn, Japan alone accounts for $6bn.

But rosy architectural prospects are not confined to Japan. New hotels, stores and world trade centres are springing up all over the region. Hong Kong, for example, has two of the most important landmark buildings of recent times – Sir Norman Foster's Hong Kong & Shanghai Bank and I M Pei's Bank of China – which serve as a spur making other western architects bid to win commissions.

Sir Norman and Mr Pei, however are important international names. And here lies a catch – it helps to be well known. Other western architects who have gained prestigious Far East projects have also been star design names Britain's Mr Nigel Coates, Mr Richard Rogers and Mr David Chipperfield, France's Mr Philippe Starck and Italy's Mr Aldo Rossi.

According to Mr Coates' partner Mr Doug Branson: "The Japanese tend not to go to western architects to provide the sort of good, solid stuff they could easily do themselves. They want a western view and western values."

Outsiders must learn a new language of construction

American designer Mr Ken Walker of retail specialist Walker Group/CNI, which has opened an office in Tokyo, puts it another way: "The Japanese are keen on collecting new international ideas and they treat them like objects."

The idea, claims Mr Walker, is to use western design to build image as much as build structures.

Branson Coates is well known in Japan for such unusual developments as the Noah's Ark restaurant at Sapporo and the Hotel Otaru Marittimo at Otaru. The London-based practice has just completed a seven storey commercial building in Tokyo called The Wall. This, says Mr Branson, "has a series of layers reminiscent of a renaissance palace in Italy.

"I suppose it is architectural pomp and almost naive in realisation, but western architects are not being bought in to compete with the Japanese aspect of Japanese architecture."

The strength of the design-and-build contractors in the region also makes it hard to sell design and architectural consultancy because, says Mr Walker "design and build firms will throw in the design for free if they get the contract to build a store". For that reason, many architects and designers in the region are forming alliances with reputable contractors.

However, many Far Eastern design-and-build firms are no slouches when its comes to architectural standards. "There's an entirely different quality of design built by these contractors than you'd expect in the UK," says Ian Graham, a partner in the St Albans-based John S Bonnington Partnership. "Many are design led, not construction led."

But cultural differences inevitably make it necessary for outsiders to learn what British architect Mr Derek Walker of Derek Walker Associates describes as "a totally new language of construction".

Mr Walker has been commissioned to masterplan an entire commuter dormitory town 45 minutes outside Tokyo. Two former Royal College of Art students now resident in Japan and fluent in the language are assisting him on the project, which should ease some of the communication problems.

One disconcerting aspect of the Japanese approach to architecture, despite the big budgets, is the tendency to start changing the new building even before, in the words of Mr Coates, "the western architect has left for the airport".

Mr Branson, however, suggests this is exciting because "architecture must be alive and respond to change."

For Mr Walker, Pacific Rim clients are good to work with "because they believe in the future, which is a nice change from Britain".

Jeremy Myerson

Gillian Darley finds confusion dominates current visions of future

Solution sought for new villages

1988 WAS the year that new settlements became official orthodoxy, as government bowed to the pressure from house builders.

By late 1990, given the number of proposals made and the direction to local authorities to look kindly upon the idea of free standing new "villages" one might have expected to find a number under way, despite the recent chill in the development climate. Not a bit of it. The submissions for new villages have been legion, detailed planning permissions have been sought in a number of cases but despite a number of runs at the planning hurdles, so far almost all the runners have fallen.

The explosion in this field of development is such that the Department of Geography at Loughborough University has set up a New Settlements Research Group in order to investigate planning and policy issues related to government changes – implying, it would seem, that the Department of the Environment is imperfectly prepared for the consequences of its pronouncements.

The mystery is why did central government support the notion of concentrating new development in self contained settlements (rather than the ever-debilitating effect of infilling villages to bursting point) and then make it so awkward for the idea to be put into practice.

The problem has been the failure to designate development sites in structure plans and, the tier below, on local plans.

Timing is a problem. Reviews of structure and local plans take time and the system cannot react quickly to government policy changes. Development pressures vary widely from region to region. To start with the south-east bore the brunt, now the spotlight has turned to East Anglia, the east Midlands and the area around York.

So far, few counties have reached the stage of identifying possible sites for new villages and of these, the pioneer, Cambridgeshire found that its own ideas were scuppered by the then secretary of state, Nicholas Ridley, who proposed entirely different sites.

Only one local authority has so far incorporated the notion at local plan level. That authority, Kettering Borough Council, designated three areas of search for a new settlement of around 750 dwellings and invited interested parties to put forward submissions. Most of the nine submissions received are within those areas, one or two have strayed beyond.

The advantage here is that instead of developers banging on closed doors, the planners have extended the invitation themselves. Both share an interest and it is to their advantage to agree on the best possible outcome.

However, the drift of the submissions seems to be a rather depressing dependence on a dim vision of the traditional village – down to church spires, village ponds and picture postcard village shops – together with a shopping list of items that the planners can expect to achieve.

The economic realities of paying for a wide range of infrastructure as well as community facilities are an awkward matter for developers. Some of their lists are patently unrealisable when the settlement in question is to remain village sized – say less than 1,000 dwellings.

Some submissions attempt to address environmental issues, others community development while all are forced to address at some level the central matter of affordable housing.

No one can afford to venture beyond what is tried and tested

New forms of village occasionally emerge to test the standard model. Lightmoor, the self-built hamlet on land offered at enormously favourable cost to the builders by Telford New Town, is about to expand to a second phase, but chastened with the failure of many of its original ideals.

Its stated purpose to provide homes doubling as workplaces succeeded less well than hoped; only a handful of the heads of household of the 14 families actually work there.

In addition the Halifax Building Society loaned funds before building started, so that those without capital could have a foot on the housing ladder. Planning and funding delays shook off many of the original applicants while the soaring 1980s housing market dealt a blow to a novel plan to cream off the value gained on each site developed to be offered as starter capital to newcomers.

However, Tircoed, in South Wales, also benefitting from a favourable land deal (in this case an accommodating landowner prepared to accept low value and to await development for further payment), does seem to present a genuine alternative.

By putting profit from the land into the provision of community facilities it is an echo from the days of the Garden City – founded upon the principle that the value of the development should find its way back into the cities themselves.

Everyone looking at the issue of new villages agrees that it is the issue of land values which lies at the heart of the near complete failure to build any new villages worthy of the name. No one, be they volume house builder, property developer or traditional landowner can afford to venture beyond the tried and tested.

The ideas put forward in the Tomorrow's New Communities competition and exhibition to be held by the Joseph Rowntree Memorial Trust and the Town and Country Planning Association early next year, will be ones to watch.

The first thing that any putative village developer now does is to assure his planning authority that the development will be "in keeping", a reflection of local traditions, a facsimile of the qualities of traditional villages of the area. That reassures the committee members and is the first step towards ensuring that the building societies will stand behind the development.

Architects who have mastered the art of an urban architecture which neither apes the past nor forgets the structural lessons of tradition have not as yet been commissioned to design a new village.

Significantly, neither Mr Leon Krier nor Mr John Simpson, the two high profile architects in the new village pack of cards, have any track record in the area. Yet a careful look at Milton Keynes or even, with discrimination, Docklands would reveal some promising candidates for such patronage.

Perhaps it is the confusion as to what a village should be in the 21st century that has led to the dismal architectural cross-dressing to be seen in the glossy brochures raining down on hapless planning officers across the country.

In principle, building a new village is a stimulating architectural challenge – as much so as it was to architects of the calibre of Robert Adam, George Dance, John Nash or William Butterfield in the past.

New villages will be built. Let us hope that their builders and developers will choose architects who can respond to that challenge and that planners and public will not stand in their way.

MANAGEMENT

The Lazard merchant banks

A growing spirit of co-operation

While preserving their traditional domestic autonomy, the three recognise that they must draw closer together if they are to realise their international ambitions. Stephen Fidler reports

There is nothing, not even a discreet brass plate, to indicate to the casual passer-by on the Boulevard Haussman in Paris the presence of Lazard Frères.

Lazard and its headquarters epitomise the French *haute banque*; the quiet facade hides its position at the centre of a web of shareholdings which gives it wide influence in continental Europe. It is by far the most dominant force in the mergers and acquisitions scene in France.

In London, its sister bank, Lazard Brothers, has also concentrated on what it has done best: providing advice to British companies or to those wanting to buy them. Four years after Big Bang, its decision not to seek a merger with other City firms looks better as every year passes. It continues to be ranked the top adviser in UK mergers and acquisitions.

Across the Atlantic, Lazard Frères' New York office is one of a handful of houses to have dominated the mergers and acquisition scene on Wall Street in the 1980s. But, by contrast with its powerful and heavily-capitalised competition, Lazard works from a relatively small capital base.

In each of the three main markets, the Lazard houses have emphasised that they are domestic banks, and have concentrated on the business of providing advice to companies. According to Jean-Claude Haas, senior partner at Lazard Frères in Paris, almost all companies have a dominant culture and lean towards advisers which are part of that culture. Choosing a corporate adviser is like choosing a doctor. He says: "People like to be ill in their own language."

While most other investment banking firms have followed a strategy of expansion and a "global" approach to their business, the three Lazard banks, under the leadership of Michel David-Weill, have sought to do neither.

The Lazard houses – in which Pearson, the UK group which owns among other things the Financial Times, has an interest – are unusual in that they have succeeded through the last 15 turbulent years in international finance by sticking to their traditional business – advising companies. This has meant neither radically enlarging its balance sheet, nor trying to move into the securities business.

It has often meant eschewing the financial fashions of the day. Even at the height of the market, Lazard in New York never used junk bonds in any of its clients' bids. It also avoided providing bridging finance itself for leveraged takeovers, a practice known as US-style merchant banking, which it saw as heightening the potential conflicts of interest between client and adviser.

Lazard's conservatism ran counter to much of what was going on in Wall Street and the City of London in the 1980s, and for a while its position appeared to be under threat.

In the US, in particular, some of its main clients were being swallowed up by huge takeovers which involved the creation of mountains of debt, while others were being seduced by the big financial incentives offered by deal-makers at other Wall Street houses.

Even in the UK, competitors were keen to point to signs that Lazard was losing its sureness of touch, for example, in its defence of Plessey against an unwelcome bid from GEC. The consortium it attempted to put in place to attack GEC collapsed through lack of finance.

Lazard had initially agonised over whether to launch an unfinanced bid – a tactic subsequently used by the consortium led by Sir James Goldsmith in his ultimately unsuccessful bid for BAT – but decided against it. The bank seemed to some to lack bravery, although Lazard saw it as succeeding in its main aim: GEC paying a significantly higher price for Plessey.

Now, with highly-leveraged takeovers out of fashion and with many of its aggressive US competitors encumbered by their bridging loans to highly indebted companies, the doubts have eased.

Lazard looks well positioned. Ali Wambauld, a London-based partner of Lazard New York, says: "When there's a lot of jazzy stuff going on in the market, we tend to lose market share. When things calm down, we gain."

Keeping down the size of balance sheets has been a long-time article of faith at the three Lazard houses, the parsimony of which is renowned. At the root of this is a view of banking that's unusual to hear even now in financial circles. "We don't see merchant banking as a growth business," says David Verey, who took over last year as chief executive of Lazard Brothers.

Michel David-Weill (left) and David Verey: structures put in place to encourage co-operation

The capital of the London house is around £100m, he says, "and even that might be too high". In Paris, the partnership is capitalised at around £50m and in New York at about $100m. Keeping capital small and investment in fixed assets low allows Lazard to remain flexible.

Being privately-held is crucial to its strategy too. In contrast to the publicly-traded houses that dominate the US scene in particular and which must produce quarterly results, "we could have three bad years and it wouldn't matter too much," says Verey. This may be useful; the lucrative mergers and acquisition activity looks likely to be much quieter over the next year or so.

But looking at Lazard's capital – particularly in Paris – does not tell the whole story. The Paris firm may not be heavily capitalised, but its partners led by David-Weill are extremely wealthy and they sit in the middle of a complex holding company, Eurafrance.

In the company's annual report a diagram of the group's structure hints at Eurafrance's – and therefore Lazard's – influence in Europe. But even this underestimates the labyrinthine nature of the company's network.

For example, Gaz et Eaux holds a 2 per cent stake in Mediobanca, the influential Italian merchant bank itself in the centre of a web of cross-holdings in Italy. This is enough to give Antoine Bernheim, a senior partner in Paris of Lazard Frères and widely considered to be the mastermind behind the French network, a seat on Mediobanca's board.

In New York, an affiliated $1.5bn fund, known as Corporate Partners, has been established to make friendly equity investments following fairly closely the European pattern.

One drawback of each office being so deeply involved in its own domestic market is the increased likelihood that inter-office co-operation may suffer, losing Lazard international mergers and acquisitions business, which accounts for a growing proportion of corporate advisory work.

Because of this, the houses have embarked on a strategy to improve their international co-operation, a step which must strike at the heart of deeply-held perceptions at Lazard.

The London merchant bank, mainly for historical legal reasons, has long ploughed a separate furrow from its two affiliates, which were, and are, partnerships. It suffered the scorn of André Meyer, the French financier who rebuilt Lazard Frères in New York after the Second World War. "We should never have allowed them to use our name," he is quoted as having said.

Bringing London back into the fold has been an important objective of David-Weill over the past six years.

Until 1984, the Lazard partners in the other two houses were the junior shareholders in Lazard Brothers. In 1984, that changed in a move which put 100 per cent control of Lazard Brothers to a new entity – Lazard Partners.

Pearson, which previously owned 79 per cent of Lazard Brothers, would have a 50 per cent stake in Lazard Partners. The arrangement – extended in 1988 for 21 years, with a few amendments – also gave Pearson a 10 per cent share of the profits from the New York and Paris partnerships.

The partners in the French and New York houses, under the control of David-Weill, would take the remaining 50 per cent of Lazard Brothers. Rewards for senior management were linked to profitability in an attempt to align the culture of the London bank more closely with that of its affiliates and put the rewards of working in London more in line with the other two centres. Partners, says Jean-Claude Haas, know they have an excellent chance of becoming very wealthy, an incentive which reduces defections of important figures to other firms.

Last year, David-Weill, whose family has been associated with the bank almost since its inception in the 1840s, took over as chairman of the London bank, after the resignation of Sir John Nott. His authority and ability to get things done in each of the three centres has been critical to the company's efforts to improve co-operation.

But if having one individual at the helm is a necessary condition for bringing the houses closer, it is certainly not a sufficient one. "Investment bankers are both externally and internally competitive," says Verey. The structures have to exist to give them incentives to co-operate.

To this end, more partners now work in two firms. Haas, for example, spends up to a day and a half per week in London. Each house has set up an affiliate inside the other houses manned by partners. As well as regular daily contacts through conference calls, there is a training programme where new recruits spend time in each centre.

A system has been put in place which distributes fees according to where the business originated and which office does the work.

As a further step in the process of co-operation, Lazard Brothers has this week announced the establishment of an office in New York. It is headed by Nigel Turner, who moved to Lazard from Barclays de Zoete Wedd five years ago and has been newly promoted to managing director.

In important markets where Lazard has less influence, it is moving to establish operations; for example, it has set up a new German partnership and has recently opened an office in Tokyo.

According to Lazard officials, these efforts have yielded improved co-operation among the houses. In recent examples, which are far from isolated cases, London and Paris co-operated over the £199m acquisition by Cap Gemini Sogeti of the Hoskyns Group from Plessey; Paris and New York over Saint-Gobain's $1.9bn acquisition of Norton in the US; and New York and London over a recommended offer for Avis Europe.

The question of whether the Lazard offices can maintain and improve upon their co-operation in the international arena will only be resolved in the long term. It is impossible to judge what will happen when David-Weill, now 58 and clearly central to this strategy, departs the scene. There is no sign that such a move is imminent, but there is no successor in line from within the family. David-Weill has a legitimacy at each of the Lazard houses, based on his talent, experience, wealth and links with the past, which means that his shoes will be hard to fill.

The ultimate test of his success will be how well his organisations manage without him at the helm. For even though the events of the last year seem to have justified the Lazard strategy, the environment it is likely to face in the 1990s and beyond will be tougher.

The drawbacks of aggressive marketing of mergers and acquisitions have become apparent. The Lazard approach is being widely emulated by recent entrants into the M&A business.

In Wall Street and in the City of London, competitors are beginning to take themselves private again, reversing the trend of the early 1980s. Meanwhile, the spread of Anglo-Saxon style business practice and the influence of the European Commission may over time loosen the webs of cross-shareholdings which are the key to Lazard's influence in continental Europe.

Introvert strategies

By Simon Holberton

Many British companies are failing to consider external non-financial information when formulating and monitoring their business strategies, according to a survey commissioned by KPMG Peat Marwick Management Consultants.

The survey – of 150 companies selected from The Times 1,000 by the Harris Research Centre – revealed that 59 per cent of respondents did not use information about competitors when setting performance targets. Instead, they preferred to concentrate on setting targets which related to their own previous performance.

Nearly a quarter of those surveyed did not use non-financial monitoring in any area of their business.

Brian Taylor, a KPMG partner specialising in information management, says that companies are far too introspective and concentrate only on financial performance.

"They should be looking more at external factors, such as market-place and technological advances, if they are going to compete successfully with US, European and Japanese competitors," he says.

The survey's other main findings are:

- 67 per cent of companies use "hunch/feel" as a technique when analysing data for strategy formulation;
- 59 per cent of companies rank their management accounts as the most important source of information when formulating strategy while only 20 per cent rank their marketing database as the most important source;
- 42 per cent of companies said that at times the information available to formulate and review strategy failed to highlight critical issues;
- only 24 per cent of companies reviewed their strategy on a continuous basis, half still cling to the traditional annual planning cycle with strategy reviewed once a year; and,
- the survey found that authoritative external sources of information were under used.

Copies of the survey are available free from Alistair Grey, KPMG Peat Marwick Management Consultants, 8 Salisbury Sq., London EC4Y 8BB.

BUSINESS AND THE ENVIRONMENT

Calls for greater disclosure

COMPANIES will have to increase the amount of information they make public about environmentally sensitive processes, under new proposals from the UK Department of the Environment.

The proposals are contained in a consultation document dealing with applications to have processes approved under the new pollution control regime which the government intends to introduce next year.

The new regime, known as integrated pollution control, will usher in a sweeping overhaul of the environmental monitoring of companies by the UK's regulatory authorities. One of its aims is to boost the amount of information in the public domain about potentially polluting sites.

The Environment Department last week published 25 pages of draft regulations, coupled with 13 pages of an explanatory memorandum on how information will be made public, as well as on how companies should apply for new processes to be authorised.

The department made almost no attempt to publicise the consultation paper – an attitude which has so far characterised its handling of the introduction of the new pollution regime.

Among the data which companies will have to put on a public register are: a description of the new process, including what is to manufactured, in what quantities and at what times; a list of environmentally sensitive substances to be used in the process; and a description of the techniques for preventing the release of dangerous substances.

The consultation paper lists 13 documents which a company may have to make public. It also describes the information which has to be published in a local newspaper.

David Thomas

Draft Regulations for Authorisation for Industrial Processes in Part I of the Environmental Protection Bill. Department of the Environment, 2 Marsham Street, London SW1P 3EB. Comments by December 14.

Richard Lapper examines how environmental risk management can help control industrial pollution

Hedging the bets against disaster

Tougher legal standards, shrinking insurance cover and the threat of damaging publicity are leading European companies to reappraise their approach to how they contain environmental risks. Companies, especially in the chemical and energy industries, are increasingly resorting to risk management techniques, which combine radical measures to reduce the risk of environmental damage and innovative ways of financing losses when these arise.

There are increasing indications that European environmental legislation will reflect elements of the punishing US regime established in the 1970s. In the US the industry is strictly liable for the pollution it causes. The cost of clean-ups ordered by the Environmental Protection Agency, the US federal government agency established under the so-called Superfund Act, is estimated at more than $100bn (£50bn).

Large sections of the US chemical and energy industries are locked into an expensive legal war with insurers over who should pay the bill. Insurers fear that if they were made to pay the full cost it would bankrupt the entire US property casualty insurance industry. Legal uncertainty and the enormity of potential losses is frightening off insurers. Only two US companies now insure against pollution.

In Europe the EC has already indicated that the broad framework of environmental legislation will be tougher for the polluter. The Commission's waste directive, which establishes strict liability for the waste processing industry, is expected to come into effect next year. A green paper outlining a strict liability regime for all civil pollution is expected later this year.

Some member countries may not only comply with the EC but, in response to domestic political pressure on green issues, establish much tighter regimes. The German government has already introduced rules that improve the rights of injured parties.

The new German rules, which come into force on January 1, extend the existing strict liability regime in the field of water pollution, to soil and air. Liability is also attached to development risks. In other words the guilty party – the polluter – can no longer use the defence that a certain risk could not have been anticipated at the time of the incident which gave rise to a claim. Legal trends in France, the Netherlands and the UK involve a tendency towards the reversal of the burden of proof towards the polluter.

The potential for legal awards in clean-up cases is becoming clear in the Netherlands, where the country's high water table makes ground contamination a serious problem. The Soil Clean-up Interim Act of 1983 gives the government power to recover clean-up costs from polluters under tort law. The state must prove negligence, so the regime is less punishing than that being introduced in Germany.

Nevertheless the Ministry of the Environment is taking action against more than 100 companies to force them to pay clean-up costs at 144 separate sites. Shell (Netherlands) faces a bill of Fl 110m (£33m) if it loses an appeal, lodged last week, against an order to clean-up a site at Gouderak, where the company once manufactured pesticides.

According to Hugo Mayenfeldt, the Dutch official who is co-ordinating the action, the government is seeking more than Fl 750m. Most awards are less than Fl 1m, but one clean-up ordered by the ministry of a municipally-owned gas-works site near Utrecht could cost Fl 300m.

In the UK, the National Rivers Authority has showed its teeth by fining Shell (UK) £1m for a pipeline leakage which led to pollution in the Mersey.

Although still relatively small in comparison to court awards in the US, these cases are important since awards of any kind have been rare in Europe. Moreover the impact of incidents like the fire in the Soviet nuclear reactor at Chernobyl in 1986 and the fire at the Sandoz warehouse facility in Basle, Switzerland, later that year led to heavy compensation claims.

The fire at the Sandoz chemical warehouse in November 1986 led to catastrophic pollution of the Rhine river, when water used to extinguish the fire overflowed. It gave rise to claims in Germany, Holland and France from local authorities whose water supplies were affected. Insured losses arising from the Sandoz incident could amount to at least SFr100m (£40m). The costs of cleaning up polluted sites in what was West Germany could be as much as DM20bn (£6.7bn).

According to Bruno Zingg, manager of the casualty department at Swiss insurers Zurich Insurance: "We must realise that we are being confronted with a risk and loss potential we are unable to comprehend." Zingg's colleague at Zurich, Peter Schroeder, who is director of risk engineering, says that the bad publicity suffered by Sandoz after the Schweizerhalle fire and the damaging impact on the company's market image have served to alert companies to environmental risks. "Bad publicity is what they fear most," he says.

The possibilities of catastrophic loss are without doubt worrying insurers. Over the past five years European insurers have followed the example of the US counterparts by introducing exclusions into their general liability policies. New environmental impairment policies have been launched, but these generally limit cover to pollution stemming from sudden and accidental incidents (from a spillage or fire, for example) rather than gradual pollution (from evaporation, vapourisation, trickling or seepage). Cover is also likely to be on a claims-made basis, under which insurance is provided only for claims made during the policy period.

"By and large up to five years ago buying pollution covers wasn't a problem," says David Thomas, an environmental specialist with UK brokers Willis Wrightson. "Liability policies didn't mention pollution one way or the other." In France, Italy and the Netherlands insurers have established pools – in which they share premiums and risks equally.

However, the scope of cover offered is limited to $20m. "Pollution pools and other facilities do not represent a form of compensation for entrepreneurial incapability or negligence," says Zingg. "There is a discrepancy between liability based on legislation and court judgments, on the one hand, and pollution coverages being offered by the industry on the other," he adds.

Increasingly insurance is being linked to the insured taking much more rigorous risk prevention measures. This is now occurring in Europe. In the UK last December the Chemical Industries Association launched a policy which obliged policyholders to undergo a thorough survey (which examines the type of materials stored as well as safety control systems). Zurich is working on a more ambitious policy which will provide more cover but lock the insured into a rigorous risk engineering programme.

Laurence Law, of insurance brokers Alexander Stenhouse, says enquiries about his company's risk management operation have tripled within a year. Thomas of Willis Wrightson says that until recently many clients have been able to buy insurance but says the gradual contraction in the market is leading to a "huge amount of interest around the country".

Zurich, which plans to launch its policy next year, says that its new product is based on the principle of "more protection, more coverage". It draws on a number of innovative financial techniques and is linked to risk prevention measures being introduced.

Beyond a minimal insurance providing for cover for sudden and accidental pollution, third-party liability and property damage, further coverage could be made available on the condition that the client would be prepared to co-operate with Zurich's own risk analysis procedures and implement recommended safety and design changes. Zingg stresses that "insurance can only constitute part of any solution".

According to Schroeder, environmental risk is so broad and complex that it is tending to encourage the growth of a more interdisciplinary approach to risk. "The fact that the Sandoz incident was an environmental catastrophe that stemmed from a fire makes people think about the interrelationships. You can't neatly separate off one risk from another."

California at the green forefront

By Louise Kehoe

The state of California, long in the forefront of environmental regulation, has adopted sweeping new air quality control laws strictly limiting automobile emissions and phasing in a ban on many household aerosol products over the past two months.

The state's new controls are designed to alleviate smog, a serious problem in Los Angeles and some other densely populated regions of California where air pollution and weather patterns combine to drape a dank pall of dirty air over city streets.

Far more radical than the pollution limits contained in the recently enacted Federal Clean Air Bill, the latest California regulations will require businesses and consumers to make significant and in some cases costly efforts to comply.

The California laws are seen as trend-setters for the country. Some 2 per cent of cars sold in the state in 1998, rising to 10 per cent in 2003, must be "zero emission vehicles" the state regulators have mandated. This will require large-scale mass production of electric cars. It should also accelerate efforts to refine electric vehicle technology, California regulators suggest.

The regulations also require car makers to begin selling "cleaner" vehicles from 1994 in Los Angeles and 1997 statewide. By 2003 all cars sold in the state must emit at least 70 per cent fewer hydrocarbons and other smog-forming chemicals than 1993 models.

Wide-scale use of alternative, cleaner-burning fuels will be needed to meet these stringent regulations. Already, several efforts are under way. Atlantic Richfield has, for example, introduced a new "cleaner" premium petrol for sale in Southern California.

The new fuel, called EC-Premium, reduces emissions of carbon monoxide by 28 per cent while it emits 21 per cent less smog-forming hydrocarbons and 36 per cent less evaporative emissions than conventional unleaded petrol, Atlantic Richfield claims.

This is, however, just the first step. The new regulations will require at least 1m cars in the state to run on alternative fuels by the end of the century. Car makers will be required to phase in "flex-fuel" vehicles that run on either petrol or an "ultra-clean" fuel such as methanol starting in 1994.

Methanol, a liquid fuel produced primarily from natural gas, is seen as the most likely replacement fuel for cars. It produces about 50 per cent less smog-forming emissions than petrol. A big advantage of methanol over other alternative fuels is that it can be produced locally at natural gas wells and distributed via the existing infrastructure of pipelines and tanks.

As petrol prices rise, in the wake of the Gulf crisis, methanol is becoming more price competitive with petrol, but it is still more expensive. The prospect of more expensive cars and fuel is just one aspect of the dilemma facing Californians as they set the pace in establishing environmentally sound laws and regulations.

Producers and consumers of aerosol spray products that emit smog producing hydrocarbons also face stringent new regulations to be phased in between 1993 and 1998. Products ranging from hair spray to insect repellents, shaving cream and air fresheners, nail polish remover and oven cleaners must all be reformulated to limit hydrocarbon emissions.

The regulations will remove about 45 tonnes of hydrocarbons daily from the atmosphere, an amount equivalent to the pollutants spewed by 1.4m automobiles, the state's Air Resources Board said.

Of the products covered under the new regulations, hairspray is the worst offender. Even pump spray versions do not comply with the standards set by regulators. Windshield washer fluids and air fresheners are also big air polluters.

California's stand on the issue of air quality control is certain to have a nationwide impact. As the largest automobile market in the US, California has a strong influence over both domestic and foreign car manufacturers. As the most populous state in the country, it can also demand changes from makers of household products.

TELEVISION

Autumn lollipops

Autumn 1990 is proving to be a season full of drama lollipops. There is nothing with quite the weight of *Brideshead Revisited*, the richness of *The Singing Detective*, or the sweep of *Jewel In The Crown*: perhaps we shall never see their equals. But there is *much to be* enjoyed. For movie and TV buffs one of the best things about *Twin Peaks* is playing "spot the reference" – the same sort of game that art critics played all through the Modern movement ("Perhaps in this picture Warhol is chiding Rothko for failing to acknowledge his debt to Mondrian" etc). The quality of the work becomes less important than the cleverness of the onlooker. Did *you* spot the reference in last night's *Twin Peaks* to *Hush Hush Sweet Charlotte*? Or was it *Whatever Happened To Baby Jane*? You can play a very similar game with *Your Cheatin' Heart*, though here, while the music is American, the "Trivial Pursuit" posers tend to be more European: you need to *know the significance* of the Fourth International and who Kierkegaard was.

The pleasures in *The Green Man*, BBC1's 3-part adaptation of Kingsley Amis's novella about a haunted restaurateur, Maurice, played by Albert Finney, are different. Unfortunately the greatest of them all – Michael Hordern playing Maurice's father, Gramps, and effortlessly stealing every scene that he was allowed near – was taken from us in Episode 1 when Gramps died. Moreover some aspects are not pleasant at all: the *opening* sequence with the woman in the dark wood, snatched up by the Rackham-esque trees and split open by the branches, was sickening; and the "Look out, here's a spooky bit!" mood *music was counter-productively* over-insistent. But director Elijah Moshinsky and producer David Snodin have put the whole thing together like cabinet-makers working in mahogany: dovetailed joints, chamfered edges, and lashings of French polish. Old fashioned, perhaps, but high quality *and utterly reliable*.

★

Can anybody explain the point of the Selfridges commercial which asks "Where in the world can you buy fresh fruit with mixed nuts?" while showing you a picture of fresh fruit and mixed bolts? It has been running for months (possibly years) and my theory is that the people at the agency were never very clear about the difference between a nut and a bolt, the people on the shoot did not know what the commentary was going to say, and when it came to the dub nobody noticed.

★

The first programme in the *Assignment* series marks the achievement of one more stage in the BBC's Birtian revolution. Under John Birt's multi-million pound Five Year *Plan* there are provisions for weekly programmes on social affairs, politics, and foreign affairs to form a quartet with *The Money Programme*. The first two have already been established (*Public Eye* and *On The Record*) so *Assignment* completes the list. If the opening programme last Tuesday *was a fair example then it may* become compulsive viewing. Norman Stone reported from the Ukraine where, as he put it, the big question is whether the two parts of the country are going to "get together and *bring down the Soviet empire*". Those who have been warning us that Birt and his henchmen are wrapping the clammy hands of conformity around the journalistic windpipe of the BBC must have watched this *programme* with some surprise: it looked more like one of those reports by James Cameron or Malcolm Muggeridge in the early 1960s than anything ever attempted by Birt's famous offspring, *Weekend World*. We were left in no doubt whatever of Stone's personal views on what he saw – which, he told us, changed what he thought about the Ukraine. Most healthy. Most interesting.

★

I prefer blue to red.

I prefer the smell of frying *bacon to the smell of boiling* cauliflower.

I prefer the feel of silk to the feel of hessian.

I prefer the taste of plain chocolate to milk.

Nobody would dream of greeting such expressions of preference with accusations of "prejudice", yet if you move on to the fifth sense and state that you prefer male to female voices for news reading or for voice-over commentaries in documentary programmes you are likely to meet with hysterical accusations of "prejudice". *Occasionally a male voice* proves intrusive (I have always felt it was a mistake to have Olivier read the commentary in the otherwise exemplary *World At War* series: his self-consciously "beautiful" and "sensitive" cadences drew attention to the commentary whereas, ideally, one should not be conscious of it at all). But generally I find male voices imperceptible. Far too often with female voices I find myself listening to the tone or the emphasis and realise I have been missing the content. It happened with last week's *Critical Eye* on Channel 4 which *was about South Africa, and* eventually I had to switch over.

★

No matter what you say, of course, such predilections bring screeches of fury from *feminists – especially male* feminists. They would rather have a poor programme, provided it offers plenty of scope to women, than a better programme which happens to be dominated by men. My own feeling is that sex is immaterial provided the result is good: it should be possible to have *sparkling round-table* discussion programmes with all men, all women, all hermaphrodites, or any permutation. But the proof of the pudding is in the eating.

Recently Peter Sissons said *of BBC1's Question Time that* there was a problem in finding first-division calibre women, but that it would be wrong to invite second rate guests just because they were women. BSB promptly launched *Answer Time*, a precise replica of *Question Time* but with a woman in the chair (Ann Leslie) three women on the panel (Esther Rantzen, Joan Ruddock MP, and journalist Vicki Woods) and a "token male" (Michael Heseltine). And the result? Slow, lacklustre and not something I would want to watch again. A dispassionate sexless Martian would have had to admit that much the most sparky, amusing and articulate panellist was the attractive politician with the long fair hair. That's right, Michael Heseltine.

★

Speaking of *Question Time*, have you noticed the way that Robin Day has started a trend? For donkey's years discussion programmes began with a simple *statement from the* chairman giving the participants' names and functions. Then Day began to offer little teasing thumbnail sketches. As his years in the *Question Time* chair wore on, these became some of the best bits of the programme: sometimes acid, usually funny, they were nearly always informative, arising as they did from Day's close observation of politics across four decades. Now everybody is trying to do it. Ann Leslie had a rather embarrassing go on *Answer Time*. Each week on *Radio 4's Any Questions* Dimbleby Minimus lobs out what are presumably supposed to be squibs which, however, fizzle out like damp sparklers. And at *Question Time* Sissons gamely attempts to emulate his predecessor, but – even if he is in some respects a better journalist – he lacks the instincts of the old ham which make Day such good value.

★

Whatever would English film makers do without England's seaside towns? From *Brighton Rock* and *The Entertainer* to *Wish You Were Here* and *East Of Ipswich* the lure of the sandy promenade and the funfair on the pier has proved irresistible. Now here comes a whole drama serial from ITV set in the same milieu: *Coasting* in which a couple of Cockney brothers on the run find themselves in Blackpool, helping with their cousin's business – in the funfair, naturally. That there is something of the flavour and atmosphere of *Budgie* and *Minder* about this production, written by John Flanagan and Andrew McCulloch, is scarcely surprising: it comes from Cinema Verity, the independent company owned by Verity Lambert who brought *Budgie* and *Minder* (and much else besides) to the screen in her days at London Weekend and Thames.

Christopher Dunkley

Sarah Berger and Albert Finney in the BBC's 3-part serial 'The Green Man'; ' and Granada's 'Coasting' brothers James Purefoy and Peter Howitt

Young Dancers in Paris

PARIS, OPERA GARNIER

The Ballet of the Paris Opera does not believe in allowing the grass to grow under the feet of its youngest dancers. Thus the decision *of the Palais Garnier's* administrator, Jean-Albert Cartier, to devote three evenings last week to aspirant talents. The young (up to the age of 24) take the stage in duets or extracts from larger ballets, and the public – keen, partisan, and loyal – fills the theatre and picks favourites *and keeps an eye on the future*.

About this Paris audience, I record that the Opéra was playing to full houses and that on Saturday the theatre was thrown open all day, without any charge, to the public, who could see company class, a demonstration by the Opera Ballet School, a film show, and the *Jeunes Danseurs* evening.

Meantime at the Opéra Comique a visiting troupe was in residence, and at the Châtelet Theatre the Frankfurt Ballet was in the first week of a season on which I shall hope to comment later.

Prices were nowhere exorbitant, enthusiasm was everywhere evident, and decent subventions mean that a regular and devoted following can sample the finest or the most recherché dance at their will. How very different from the home life of our own dear Opera House and capital city.

The *Jeunes Danseurs* whom I saw on Friday were eager to show-off, *to delight*, to prove that the future was theirs. Not all will reach the heights – though some are already worthy of very serious attention – but there was a sense of pride, of assurance *and professional discipline* which gave a gloss to everything on view. Bournonville extracts, presented with a lot of technical flair, did not really suit dancers who believe more in brio than dulcet charm. The frankness of Danish training is replaced by a sophistication which is at odds with an innocent Romanticism. Nonetheless, I admired the ardent, soaring Gil Isoart as James in a fragment from *La Sylphide*, and Nicolas Le Riche bounding joyfully through the *Napoli* sextet.

The choice of party-pieces was largely from the 19th century repertory, though there were two outbreaks of terminal angst (by Oscar Araiz to Mahler, and by Peter van Dyk to Schubert) which were desperate stuff. Both seemed cast in semi-darkness, but at least in the Schubert – far too much of the Unfinished Symphony – Nathalie Riqué and Stephane Elizabé were impeccably pure and sensitive, giving refreshing clarity to muddled choreography.

It was, of course, the most experienced artists who shone brightest. Agnes Le Testu has lately won a prize at the Varna ballet competition, and she offered a beautifully rounded account of the *Grand Pas Classique* (which she dances with much more refinement than Sylvie Guillem and not a whit less bravura), partnered with elegant assurance by Jose Martinez, a tall young danseur with a whistle-clean technique.

In the *Esmeralda* pas de deux, merrily attributed as "after Petipa", a miserable score by Drigo served as doormat to a *collection of* difficult steps. But the charming Delphine Moussin and dashing Lionel Delanoe whisked through its fatuities with splendid ease, and deserved their ovation.

Dancers of this calibre blossom in the Opéra Ballet's ranks year after year. Each of *the artists on view* disposed of a sure skill formed in the canons of the Franco-Italian style, with dazzling beaten steps, elegance of means, feet quick and bright, multitudinous pirouettes.

A film clip taken at the Opéra School, which featured in Makarova's *Ballerina* series on BBC TV a few years ago, showed a former *étoile* of the company urging her students to give their dancing "Plus de chic! Beaucoup plus de chic!" These Opéra young may yet lack a sense of cantabile, that harmonious openness one finds with Russians of comparable age, but they have chic in plenty, and a technically superb basis for their career and their art. They *deserve their evenings of glory*, and make them very worth while.

Clement Crisp

Don Quichotte in San Francisco

This year's season at the War Memorial Opera House is now at its mid point. The programme is by and large an interesting one with a number of operas from the fringes of the repertory and during October the company arrived at two operas which coincidentally had also attracted the attention of the Royal Opera this year: Massenet's *Don Quichotte* and Strauss's *Capriccio*.

As far as the Massenet is concerned, this was San Francisco's gain. While the Royal Opera cancelled its production at the last moment, the American company furnished itself with what appeared to be a substantial success, fully sold out by the end of its run.

Massenet wrote *Don Quichotte for the tiny opera house* at Monte Carlo and conscientiously tailored the opera to its intended venue. The cast numbers only three principals; the scale is intimate, its dramatic scope purposely limited. Some years ago, before the *Massenet* revival of the 1970s was fully under way, I recall reading through the score and thinking how empty it seems to be of musical worth; but that was to underestimate the skill of a master opera composer, who knew exactly when and where to place each scrap of inspiration.

On stage the piece has everything it needs to work. With but a few strokes of the pen Massenet created a Don Quichotte in that most other composers could strive twice as hard to achieve and still not equal: a sympathetic figure, the body outwardly frail, the *heart full of noble ideals, much* like the music itself. It is not an easy role to play, as too forceful a personality could easily crush its delicate frame.

San Francisco chose Samuel Ramey and, in most respects, chose well. In physique Ramey is perhaps too slight and youthful, where the part *demands a grand old cart-horse* of a man, his joints grown arthritic with age; but he delivered his music with a simple dignity. The last solo, when Don Quichotte sings of his island of dreams, was understated in just the right way, subtly coloured, very moving.

With Michel Tremponet as the genial, roly-poly Sancho Pança and Katherine Ciesinski a Dulcinée with plenty of earthy Spanish grit, Ramey had been given a most effective *supporting cast. Julius Rudel's* credentials as a Massenet conductor are well known, in this country mainly from his recordings, and so the musical side of the performance was one high level throughout.

For obvious reasons *Don Quichotte* is now an opera that is often revived. Instead of *going to the expense of a new* production, the company chose the thrifty path of dusting down the sets from the 1974 production in Chicago and bringing in Charles Roubaud to rehearse the conventional *staging, largely bereft of striking* visual images or original thinking.

Nevertheless the magic of the opera cast its spell, a quiet success that cannot have been guaranteed in this huge theatre for a work which keeps its marvels so close to its heart. *Don Quichotte* deserves to be *seen in Britain – if not at Covent* Garden, then why not at Glyndebourne, where its tales of chivalry told in miniature would be at home?

★

The staging of *Capriccio* was the first San Francisco since Elisabeth Schwarzkopf sang in the opera in 1963. This new *production is shared with the* Royal Opera and will arrive in London for performances in January. But be warned that it is not as new as it might seem, as the producer, John Cox, has distilled in it the best of his work from three previous *Capriccio* productions.

The rich baroque setting *comes from Brussels; the* period (1920s, elegant but informal) has been essentially the same in all three. When so much has been written about *Cox's handling of the opera at* its recent revivals at Glyndebourne, there is little need to say more, except how fresh it still seems. In an opera that is all about the balance of opposing forces – of words and music, of humour and sentiment, of social values – Cox has kept the equilibrium delicately poised.

In theory *Capriccio* is no better suited to a 3,000-seat house than was the *Massenet*. But Stephen Barlow, making his operatic debut in the US, secured a very successful balance, in this case between stage and pit.

The *raison d'être* for the production was a chance to have Kiri Te Kanawa singing her first Countess. A natural *Straussian soprano, she looked* and generally sounded as ravishing as ever, making her final entrance through the moonlight wearing a dazzling new Gianni Versace dress. Not an eloquent Countess, though, so older opera goers here and those with the records might still prefer Schwarzkopf's *probing grip on the text*.

Among the other roles Keith Olsen revealed an attractive, youthful tenor as Flamand and William Shimell was a debonair Olivier. There was a richly-sung, charismatic Clairon from Hanna Schwarz and Victor Braun, not often seen in Britain these days, made an *engaging and alert La Roche*. Two delightful cameos came from Reri Grist as the Italian soprano and Michel Sénéchal as Monsieur Taupe.

Not many of this cast will be travelling with the production to London. But at least the Royal Opera knows that it will be getting a well-tried frame for its own singers, when this *Capriccio* is unpacked next year.

Richard Fairman

BBC Symphony Orchestra

ROYAL FESTIVAL HALL

Monday's concert in the BBC Symphony's 60th anniversary season was as well executed as it was ingeniously planned: an evening of substantial rewards, and further evidence that Andrew Davis's Principal Conductorship, now one year in, is a solid success. The four big pieces here (of which the orchestra had given *Roberto Gerhard's Concerto for Orchestra* its first performance and the others their UK premières) employ radically different sound-palettes. To realise them so faithfully in quick succession, and to their distinct dramatic designs, was a feat of high professional sympathy.

Gerhard's Concerto, composed when his health was already in collapse, is a kind of exploding kaleidoscope, less concerned with any continuous argument than with flinging out brilliant musical shards (many in quite original hues) in a provocative sequence. Davis ensured that the sequence was dazzling enough to sustain its twenty-five minutes with *éclat*. Toward the end there always seems to be a profusion of brief climaxes at a too-similar height; whether a more telling profile can be found in the music – as it certainly can in Gerhard's still later ensemble-pieces *Libra* and *Leo* – remains an open question.

Sung with *penetrating conviction* by the baritone David Wilson-Johnson, Lutoslawski's *Les Espaces du sommeil* was a seamless vision. Like most of the best Lutoslawski, it achieves opulent sonorities (here, soft and whispery) and an unwinking depth of expression by the most economical means. Davis made the orchestral micro-subtleties glow, and fixed the larger form of this dreamscape *simply and lucidly*: a lovely performance.

Bartók's Piano Concerto no. 3 was less lucky in its soloist Stephen Hough, though he and Davis managed a bracing finale. In the opening Allegretto the piano-line was lamed by small rhythmic vaguenesses (most uncharacteristic for Hough); in the Andante religioso, *the chorale-portions and the* "night-music" alike were merely forthright, without the chiaroscuro needed to invest it all with tremulous life. The orchestra accompanied loyally – but this concerto, written for the composer's wife, presupposes a thoroughly sensitive pianist.

Boldly and rightly, Messiaen's *Et expecto resurrectionem mortuorem* was *given the second half* of the concert to itself. It is among his starkest, most single-minded exercises in hieratic chant, for wind-band and percussion with and without gongs, tam-tams and dense block-harmonies. At the very least it is remarkable music-theatre; and though Messiaen designed it for the very different space of the Sainte-Chapelle, Davis and his players made a weighty, finely sculpted effect with it in the Festival Hall.

David Murray

ARTS GUIDE

October 26-November 1

THEATRE; OPERA and BALLET

London

Aspects of Love (Prince of Wales). *Andrew Lloyd Webber's* latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically *interesting and well directed* by Trevor Nunn. A probable, but unspectacular, hit (839 5972).

Singer (Barbican). Anthony Sher in *Peter Flannery's* modern Jacobean tragedy that reflects a darkly comic view of Britain since the second world war. In rep; check press for performances (638 8891).

Into the Woods (Phoenix). The musical by Stephen Sondheim with Julia McKenzie (071 867 1044).

Kean (Old Vic). Derek Jacobi is superb in Jean Paul Sartre's play, directed by Sam Mendes (071 928 7616).

Private Lives (Aldwych). Joan *Collins and Keith Baxter star* in Noel Coward's play (071 836 6404).

Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January

Man of the Moment (Globe) Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667).

Royal Opera, Covent Garden: Verdi's *Attila* receives a first-rate new production at Covent Garden. Edward Downes conducts *superbly, the production* by Elijah Moshinsky is bold and striking, and Ruggero Raimondi (later Barseg Tumanyan), Josephine Barstow, *Dennis O'Neill* (later Giuliano Ciannella), and Giorgio Zancanaro sing with fiery eloquence: strongly recommended.

English National Opera, Coliseum: Revival of the award-winning 1986 production by David Pountney of Busoni's *Dr Faust*, conducted by Antony Beaumont, with Alan Opie, Graham Clark, and Helen Field in leading roles. More performances of *The Magic Flute* in Nicholas Hytner's fresh and uncluttered production.

New York

Falsettoland (Lucille Lortel). It will be known as the musical *about Aids first hitting New* York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the *bones of this inert* depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry *set to music* is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting *melodies in this transfer* from London (239 6200).

Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encourages her daughter even into burlesque (246 0102).

Metropolitan Opera. James Levine conducts the season premiere of Arvin Brown's production of *Porgy and Bess* with Priscilla Baskerville, Marvis Martin and Terry Cook. James Levine also conducts Piero Faggioni's production of *Un Ballo in Maschera* with Aprile Millo, Lucien Pavarotti and Juan Pons. *Boris Godunov*, conducted by Yevgeny Svetlanov, features Stefania Toczyska, Gary Lakes and John Shirley-Quirk in August Everding's production. Guido Ajmone-Marsan conducts *Rigoletto* with Jerry Hadley in Otto Schenk's production (362 6000).

New York City Opera. John Lehmeyer's production of *Martha*, conducted by Arthur Fagen, features Sheryl Woods as Lady Harriet Durham, Martin Thompson as Lionel and Dean Peterson as Plunkett. The week also includes Scott Ellis's production of Sondheim's *A Little Night Music*, *La Boheme* and *La Fanciulla del West*. New York State Theater, Lincoln Center (870 5570).

Chicago

The Iceman Cometh (Goodman). The Goodman opens its new season with a revival of vintage *O'Neill starring film actor Brian* Dennehy. Ends Nov 4 (443 3800).

Lyric Opera. Frank Galati directs a new production of Argento's *The Voyage of Edgar Allan Poe*, with libretto by Charles Nolte. Christopher Keene conducts Donald Kaasch as Poe, Winifred Faix Brown as his wife and Richard Stilwell as Poe's nemesis Griswold. Harold Prince's production of *The Girl of the Golden West* continues, conducted by Bruno Bartoletti, with Marilyn Zchau as Minnie and Placido Domingo as Dick Johnson. Civic Opera House (332 2244).

Tokyo

Kabuki: Performances at Kabuki-za centre around a name-taking ceremony for the actor Senjaku, who follows in his father's footsteps to become Ganjiro III. Both performances (11am, 4.30pm) are mixed programmes, combining drama, spectacle, song and dance. *Earphone guide* in English and English-language programme. Opens Thursday. (541 3131).

Tokyo International Theatre Festival: Features groups from South Korea, the Netherlands, India, Malaysia, France and Italy, as well as Japan. Most performances are at the new Tokyo Art Theatre, an impressive concert hall-theatre-gallery complex in Ikebukuro. (590 1091).

Bejart Ballet Lausanne. *Ring Um Den Ring.* New ballet/spectacle by Maurice Bejart, based on Wagner. Tokyo Bunka Kaikan (Mon-Thur) (725 8888).

Deutsche Staatsoper, Berlin. *Tristan und Isolde.* NHK Hall (Thur) (235 1661).

Stand Up America!

QUEENS THEATRE

You need a sense of humour to take a flier *on Stand Up America!*, a six week season at the Queens with a weekly change of the best stand up comics *from across the water*. Unfortunately Sean Keane lost his on Monday night, which was a pity since he was one of the three comedians billed for Week Two of this magnificently doomed enterprise.

After less than ten minutes of hilariously filthy one liners, he stalked off defiantly. "My name is Sean Keane. I'm a comedian. I quit." You could hardly blame him. The Queens might be a great place for drawing room comedy but what these performers need is the upstairs bar of a pub and a legless audience. Jokes like "My girl friend died last week. Only now can I laugh about it" and "I found a baby on my door step this morning. It was still there when I got home this evening", fell flat, but not so flat as when he talked dirty.

Keane's premature walk out was a double misfortune. It *brought back from the bar* the domestic comic, for this week one Micky Hutton who makes little attempt to disguise the fact that he is a Geordie. He is like a particularly large shaggy retriever that licks you all over in his search for a pat. He deserves a punch.

With the evening threatening to fall apart on comes Larry Amoros, who in a predictably American way is quite brilliant. He plays that tedious old geography quiz – "Anyone here from New York? New Brunswick? Newton Abbott?" sort of thing, but once he had isolated his feeds in the audience, an out of work actress from New York, a newly married couple from LA, and Astrid from Holland, he milked them outrageously. We discovered more about the mental health of actresses, the sex life of young Californians, and a Dutch girl's *relationship* with her grandmother, than is suitable for mixed company.

Amoros is fat, Jewish and slightly camp and makes Dame Edna's Everage's exploitation of an audience look like a soft sell. He chooses refreshingly taboo subjects to attack, like old age, as well as easy ones, like analysts. "I *went to* therapy to find out who I am. Turns out I'm Debbie Reynolds," and in an eye drooping aside," I can't believe I slept with Eddie Fisher".

The second half was devoted to John Mendoza, who was apparently last year voted "Funniest Comic in America". He was certainly relaxed and went down smoothly (the audience had, during the interval, lost the use of at least one leg) but really jokes about traffic problems in London are a bit toothless.

Antony Thorncroft

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Latin America's quiet revolution

IT HAS become axiomatic that the 1980s was a lost decade in Latin America as the region struggled to adjust to the burden of debt. Yet it is increasingly apparent that negative growth rates and declining incomes in the majority of the countries of the region were only part of the picture.

The past decade was also a period of challenge and pragmatic response in which governments moved with ever growing consensus to implement a series of fundamental reforms. The emphasis has shifted radically away from outmoded models of import substitution towards competitiveness in world markets and export-led growth. Deregulation and privatisation have become common currency, while the dominant role of the state is being cut back amid a generalised acceptance of the need to promote the private sector in market-orientated economies.

The significance of this "quiet revolution" is highlighted in the annual report on Social and Economic Progress in Latin America of the Inter-American Development Bank. It forms the basis of a relatively optimistic forecast for the region's prospects during the 1990s. Indeed, for first time since the onset of the debt crisis in 1982-83 the IADB has broken with its gloomy prognostications.

Serious judgment

The IADB is the multilateral institution most directly involved with Latin America and therefore its belief that the region "can look forward to improved prospects and a resumption of growth" deserves to be taken seriously. It should also offer welcome encouragement to Latin American governments to persevere in their structural reforms, which are far from complete. At the same time the IADB's view should alert international attention to the opportunities of doing business in a resource-rich region whose promise has been disappointingly unfulfilled.

The report makes no reference to the impact of higher oil prices which is likely to be uneven. But this does not invalidate its conclusions or the lessons it offers on the policy reforms of the 1980s. They have been carried out by governments either reverting to civilian control after extensive periods of military rule or by governments conscious of a continent-wide sentiment in favour of more genuine democratic institutions. In both instances the reform process depends on the credibility of these governments. In important cases like Argentina, Brazil and Peru such credibility hinges on stabilising a hyper-inflationary process.

Integrated approach

The reform process cannot be partial. It requires an integrated approach which tackles the restructuring of the external sector, the public sector and the financial markets. In general, trade and fiscal reforms have come first. Thus in the coming decade governments will have to concentrate on specific reforms in sectors such as agriculture, education and training, energy, health and transport.

The ability to find funds to boost investment in these sectors continues to raises serious questions. The huge debt overhang is more manageable than it was; but it still casts a long shadow. It would be unrealistic to expect the need for new funds to be met primarily from increased foreign direct investment, the return of flight capital, debt reduction and stepped-up bilateral and multilateral lending. The last two sources, in particular, will be predicated on the degree of commitment to continuing reform. Instead, funds will have to come from increased domestic savings.

This is not an impossible task, provided that governments persist with implementing fairer and more efficient fiscal policies which tackle in earnest the huge disparities in income, while also laying down unambiguous guidelines for the operation of private enterprise. This is especially important in the case of Argentina and Brazil which, along with Mexico, are the region's major economic players. Mexico is already putting its house in order. But only if these other two motors of Latin American development succeed in doing the same will the region recover its confidence.

Managing the recession

ANY doubt that British industry was heading for a painful recession should have been dispelled by the Confederation of British Industry's quarterly industrial survey, published yesterday, which recorded the sharpest fall in business confidence since the dark days of October 1980.

It is scant consolation that the situation is not yet as bad as it was in the recession of a decade ago. But comparisons with the scale of the recession at that time are not necessarily the best measure of the seriousness of the position.

Comparisons with the past are less important than the impact which this recession will have on British industry's future performance. Managers will be coping with the effects of the recession well after the economists pronounce it dead and buried.

Although the last recession was over by 1982 its effects stayed with many manufacturing companies until 1986 or 1987. It was only in the latter half of the decade that some companies were able to look beyond the need to survive and start addressing their long-term strategies for the future. Even at large companies such as Imperial Chemical Industries the scars left on the management are only just below the surface.

Industry could be dealing with the aftermath of this recession well into the middle of the decade. It is all too conceivable that in five years a range of British companies will find themselves with outmoded product ranges, unable to match the speed of product development of their competitors.

Real test ahead

How far companies will be set back will in part depend on a second factor which distinguishes the current recession from the events of a decade ago.

In the 1980s industry has undergone a number of changes intended to make companies more robust. At root all these changes revolve around more determined, entrepreneurial, professional management. It was easy to claim that industry had been transformed while it was being carried along by the strong growth of the mid-1980s. The next year will be the real test of how fundamental a change has taken place.

This time managers will have not have the excuses they had a decade ago: that trade union power had forced endemic overmanning; that their companies lacked clear focus and that their management was too passive.

If the reforms of the past decade have achieved anything they should have put managers in the driving seat. One encouraging sign from the CBI yesterday was that investment in training and innovation, which were both hammered in the early 1980s, is holding up relatively well.

Wage bargaining

These longer-run concerns about the impact of the current recession should inform today's discussion between the government, the Trade Union Congress and the CBI at the National Economic Development Council, as much as the shorter-run questions about developments in wage bargaining over the next few months.

A return to even partial corporatism, with centralised national pay norms, would be wholly impracticable and undesirable. However the three parties to the meeting should send out a clear, agreed message about the importance of responsible pay bargaining in the months ahead. Wage bargainers should focus on the prospective inflation rate rather than compensating for past movements in the RPI. They should concentrate on competitiveness in the year ahead rather than past profits.

But more substantial agreement is possible and highly desirable in longer-term issues such as training. The participants should issue a joint commitment that they will do everything possible to maintain investment in training to ensure future competitiveness is damaged as little as possible by the recession ahead.

Employers cannot expect workers to take a long-term view of a company's prospects unless management takes the lead. This recession will be the clearest test yet of how far the quality of British management has improved in the 1980s.

Peter Martin assesses the UK Securities and Investments Board's progress in devising an effective code of practice for the City

Tell Sib, writing a rule book is tough

Twenty-eight months into the great effort of simplifying the City of London's rules and regulations, two things have happened. First, the job is taking longer than expected, and the financial services industry's new rule books are still some way from completion. Second, the process – prompted by complaints about the original rules – is now itself being criticised.

"I am afraid we will end up with something just as complicated as before," says one lawyer involved, "and if we do, quite frankly we would have been better never to have started it."

Starting it was the first act of Mr David Walker, chairman of the Securities and Investments Board (Sib) when he took over in June 1988. Though the Bank of England retains control over the banks, Sib is the overall supervisor of much of the City. It sits atop five self-regulating agencies (SROs, in the unlovely new jargon) which are run by practitioners in the markets they supervise.

When Mr Walker arrived, he found himself custodian of Sib's first attempt at a rule book, which had become mired in legalisms. Trapped by the legal requirement that their rule books be "equivalent" to Sib's, the SROs too had opted for obscurantism and complexity.

Just as important, "Sib was obsessed with the relationship between stockbrokers and private clients, and that has driven everything," says one man involved in trying to make the rules work. Last-minute contortions were required to accommodate the quite different demands of the City's core business: transactions between professional, equally well-informed buyers and sellers.

The City complained so vociferously that Sib's founding chairman, Sir Kenneth Berrill, was not reappointed. He was replaced by Mr Walker, from the Bank of England, who immediately announced his programme of simplification, now known as the "new settlement".

The task is still not complete. Earlier this month, for example, The Securities Association (TSA), the SRO which regulates London's stock exchange and Eurobond market, published new draft rules. They will take effect in 1991, nearly three years after the process started. Some regulators' new rule books are nothing like so far advanced.

In the meantime, the City has had to come to terms with the system as it is.

All too often, by ignoring it. One SRO's inspectors report visiting small firms that have not even bothered to take the rule book out of its shrink-wrapping. A City lawyer says: "One continually finds cases where clients do not understand the rules. There is a great deal of non-compliance as a result." A compliance officer in a large investment bank does not share that pessimism, but says: "A lot of people don't have a great deal of respect for the regulatory system. And a lot of people on the regulatory side have never run or regulated a whelk stall."

At one big City law firm, the group that deals with regulation has grown from two lawyers to 26 in the past five years

Coming to terms with the rules has been an expensive process. Initially, firms had to invest in computer systems for monitoring and control. Since then they have had to pay for compliance officers and legal advice.

At one big City law firm, the group that deals with regulation has grown from two lawyers to 26 in the past five years. Clients' fees mount up: well into six figures a year for a big firm that uses outside lawyers rather than in-house ones.

Cost is not the only factor; there is also inconvenience. For example, the "cold-calling" rules, devised to protect innocent householders from being terrorised by late-night insurance salesmen, have caused problems for managements drumming up support from institutional investors in takeover bids.

And there is a worry that London's new regulatory regime may scare business elsewhere. One small example: the original rules require very detailed customer agreements, particularly for individual investors. But a merchant bank reports that even its pared down four-page letter for professional investors caused problems recently with a Spanish institution, which pointed out that getting a lawyer to read the agreement before signature had cost £1,000. "Under those circumstances," said the merchant banker, "Switzerland starts to look more attractive as a place to find a fund manager."

Regulators accept some of these criticisms. They are also concerned that the legalistic approach of the old rule books gives lots of scope for exploiting loopholes. "Much of the thrust of the new settlement has been to avoid people loophole-hunting and trying to shelter behind technicalities in the rule book," says Mr John Young, chief executive of TSA.

"There were far too many rules," says Sib's Mr Walker, "and they were not in my opinion delivering the amount of investor protection we want. A complex business does not require very complex regulation. It may require very simple rules, such as 'the client always comes first'."

Sib has tried to meet the twin aims of simplicity and consistency by promulgating 10 principles (sample: "A firm should observe high standards of integrity and fair dealing") and 40 "core" rules. Both are written in clear, straightforward English.

So far, so good. But the key to the way the system will work in practice will lie in the SROs' more detailed "third-tier" rules, which will flesh out the skeleton laid down by Sib. And this is where critics fear the simplicity of Sib's rules may prove illusory:

● Some SROs may end up writing very complicated third-tier rules, adding back the complexity removed at the top levels. TSA's draft rules, the only set publicly available, are short and – mostly – simple. The new draft rules from Imro (regulator of fund management houses) are said to be, if anything, more complicated than before.

Mr Walker says he would be unhappy if two regulators dealing with broadly similar institutions had markedly different approaches to the question of simplicity. He has some weight to throw around: the old "equivalence" clause has been replaced by a new test, under which Sib must judge the "adequacy" of the SROs' rule books. It remains to be seen, however, just how simple some of the rule books turn out to be.

● Even if the third-tier rules turn out to be simple, the task of interpreting and applying them may not be. The TSA has accompanied its rule book with a (weightier) volume of notes and appendices. There will also be a slow accretion of precedent as TSA offers guidance to houses seeking advice. Ominously, one mid-level TSA staff-member says he expects to rely heavily on his copy of the *old* rule book to explain the rules in the *new* one.

● Individual SROs may not get the exemptions (or "derogations") from the core rules that they are seeking. Mr Walker wants to keep derogations to a minimum. If an SRO persuades Sib that there is a case for a general derogation, he says, it will modify the core rule instead. "Beyond that, derogations should be allowed only on very narrow issues," he says.

● The overlap between regulators may make for confusion and complication. "Sib is very sensitive to accusations of being 'nannyish', telling regulatees what is good for them," says one critic. "As a result it is trying to adopt the Duke of Plaza Toro approach of leading from behind. This leads to consistency problems."

Still, the emerging system is more promising than the criticisms imply. Above all, it will resolve many practical problems in dealings with well-informed clients. As one example, the need for customer letters, which has caused so much ill-feeling, will largely be abolished for professional clients.

The problems that remain are ones that Mr Walker can do little about: the inherent difficulties of regulating a complex and fast-changing business; the need for detailed step-by-step protection for the millions of not terribly well-informed clients of the retail financial services business; the inheritance of a proliferation of SROs.

The current system has already evolved, however, in ways not foreseen by parliament. Though "conduct of business" regulation – the rules which cover the how of selling and dealing – has remained divided up among the SROs, a more unified approach has already been adopted on the other side of the regulatory coin: "prudential" supervision. This side of a regulator's job – keeping an eye on whether the business is adequately capitalised for the risks it takes – is particularly complicated for financial conglomerates, of which there are more than 100 in the City.

Quietly, prudential supervision of conglomerates has been taken over by a new non-statutory body, the college of supervisors. In principle, every conglomerate has its own college, combining just those regulators which supervise it; and each has its own lead regulator depending on what is its most important activity.

In practice, however, there is a single college that meets every six weeks or so, turning its attention to a different category of institution each time, but discussing also a short list of problem institutions carried from one meeting to the next. The Bank of England chairs the college whenever there is a bank among the activities of a conglomerate; that gives the Bank the chair in most cases.

The college has already taken action several times, including taking steps to contain the collapse of British & Commonwealth (a mixed success: depositors in B&C's merchant bank are still waiting for access to their money).

The college is an important, half-invisible, element of the new regulatory pattern. It is also a precursor of the future. The growing role of European Community directives will gradually alter UK financial regulation in the direction of the continental approach. London has established, in the SROs, a clutch of specialist "functional" regulators. On the continent, the preference is for an "institutional" approach to regulation, in which there is a single supervisor for the whole of a financial services conglomerate.

Mr Brian Quinn, the executive director in charge of supervision for the Bank of England, argues that while functional regulation is best for conduct of business matters, there is something to be said for an institutional style of prudential supervision.

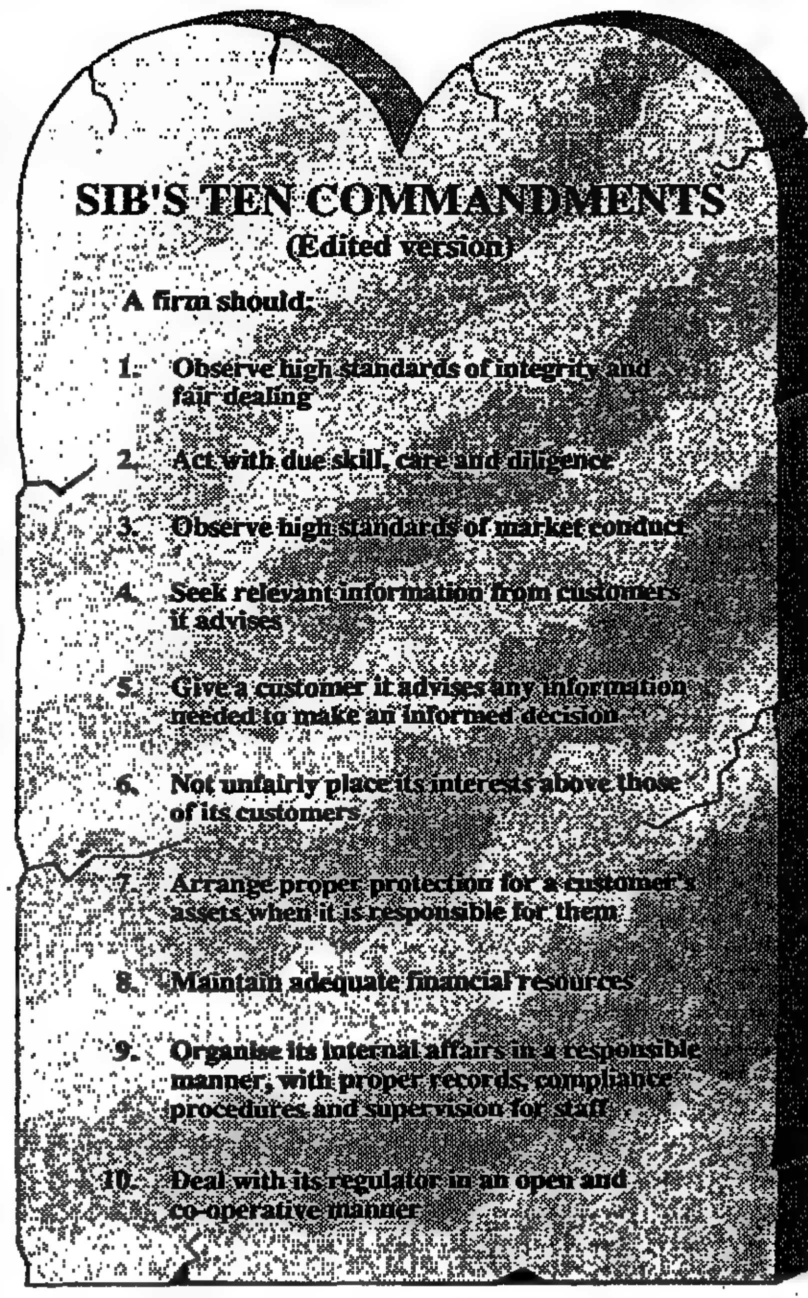
In the UK, he said in a recent speech, the college approach has gone part of the way towards this, but "there may very well be scope for simplification and for a clear allocation of responsibility to a supervisor of the group as a whole." Though Mr Quinn does not say so, it is hard to see how that single supervisor could be any other institution but his own.

This sort of argument is in step with the two Brussels directives that liberalise cross-border financial services as part of the 1992 process, and the move towards a European System of Central Banks as part of economic and monetary union. Taken together, they are likely to give the Bank of England a more central role in supervising – at least from a prudential point of view – those financial institutions that include a bank.

Mr Walker, still a member of the Bank's Court, is happy with this trend. He is confident that, in other respects, the implementation of the Brussels directives can be accommodated within the new settlement, and that from 1991 onwards, the City can look forward to a comprehensive, stable regulatory regime.

The worriers do not agree: they fear that the new settlement, still incomplete, will itself be replaced by a European-flavoured substitute in a few years' time.

That question is for the future; in the meantime, the task of revising the rule books continues.



OBSERVER

Brazil under the blanket

■ Pat Sheehy, chairman of BAT Industries, found himself sailing in familiar waters yesterday when he led a City of London delegation to meet leaders of the Brazilian business community.

His team, which has been sent to South America by British Invisibles (formerly the British Invisible Exports Council) is entertaining on the Royal Yacht Britannia in Rio de Janeiro harbour.

When Britannia was previously used for an exports party – a Sea Day in Malaysia last year – a $100m fund management contract was won by one City institution. Hopes are high that the Brazil visit will land an equally plump prize.

As a tobacco man Sheehy is, of course, an old hand at doing business in Rio. In his new role he is offering the City of London's help in building up Brazil's nascent financial services industry to a level fitting for the world's eighth largest economy.

But he warned his guests yesterday: "What has been lacking in Brazil so far has been a coherent and sustained economic programme that attacks inflation head-on and lifts the blanket of protectionism that has warmed private industry for so long".

No non-Brazilian is in a better position than Sheehy to know how cosy it can be under that blanket. BAT owns three-quarters of Souza Cruz, which is the largest private sector company in Brazil after Volkswagen and General Motors. Souza Cruz has been developed into the biggest cigarette maker in a land where smoking has never lost its wide appeal.

Orange tinge

■ Queen Beatrix of the Netherlands is on a three-day official visit to Ireland.

The Queen, known as a no-nonsense character who takes great interest in both domestic and international affairs, was due to have visited the Irish parliament today to see for herself the cut and thrust of local democracy, but has been disappointed at the last moment.

The visit has been cancelled by the government of Charles Haughey, which faces a no-confidence vote over the conduct of Brian Lenihan, who is the deputy prime minister and a prospective president. An Irish general election could be in the offing.

With long memories of the Dutch King William of Orange (best-known as "King Billy" in Ireland) who defeated King James at the battle of Boyne, the Dublin authorities feel that a visit to the Irish parliament by Billy's descendant Queen Beatrix at this highly-charged political moment might be "inconvenient".

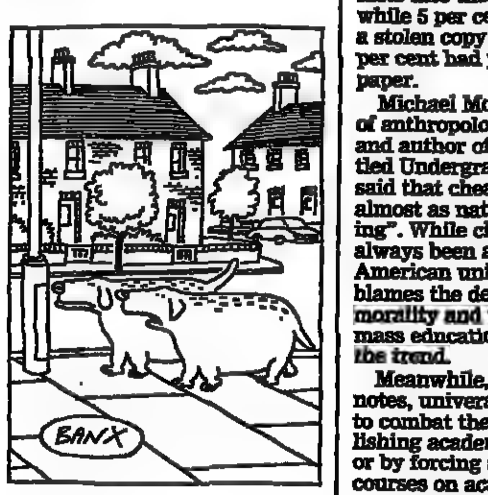
Take-aways

■ For those with long memories who can remember floods of cheap oriental goods arriving in the west I can report that the wheel has turned.

Piers Hart, a craftsman in wood with a workshop outside Thetford, Norfolk, has just won a contract worth £4,000 to supply the Mandarin Hotel in Hong Kong with 150 pairs of chopsticks. They are not ordinary chopsticks, however, as found in your local Chinese restaurant. They are made in ebony with gold bands, and they are engraved with the Mandarin's turtle logo.

Apparently, the Mandarin has given up its traditional ivory cutlery because of the international drive against ivory sales, and is open to new ideas.

Meanwhile Hart's fame is growing in the east. He has just had a second inquiry for 1,000 pairs of chopsticks for



"It's a relief not to be registered – I'm an absent father".

Taiwan. They are to be made from the rare snakewood which resembles snakeskin, found at the heart of certain trees in the Belize forests. That order will be worth £44,000.

Posh chopsticks are, in fact, expensive give-aways. In the eastern restaurants where they are provided, the clients are notorious souvenir hunters.

College cheats

■ Cheating has become endemic on American college campuses, according to a study by a professor at Rutgers University, New Jersey.

The study, cited in the US-based Chronicle of Higher Education, found that one third of students surveyed admitted to "hard core" cheating. That means they cheated in eight or more courses over a four-year academic career, by a combination of stealth and fraud.

Copying from another student's paper is the most common form. Some 33 per cent of those surveyed admitted that. However, 18 per cent said they took a "cheat sheet" of facts into the exam with them, while 5 per cent studied from a stolen copy of the exam; 10 per cent had plagiarised a paper.

Michael Moffatt, professor of anthropology at Rutgers and author of the report, entitled Undergraduate Cheating, said that cheating "comes almost as naturally as breathing". While cheating has always been a fact of life at American universities, he blames the decline in public morality and the trend towards mass education as accelerating the trend.

Meanwhile, the Chronicle notes, universities are forced to combat the trend by establishing academic honour codes or by forcing students to take courses on academic integrity.

The paper does not say whether students cheat on exams in the latter.

Regular offer

■ The very small band of fanatical and rich collectors of tribal art, a select group that can contemplate paying more than $500,000 for a rare object, is being invited to bid for two old friends.

A Swiss dealer is hawking around two Benin bronzes, produced around 1500, with price tags of up to $1m.

The bronzes are familiar to connoisseurs, however. They were acquired at auction in the 1980s by the Nigerian Government, when, flush with oil money, it made a belated attempt to buy back its heritage.

Despite the recent rise in the oil price times seem to be tough in Nigeria as the bronzes are on the market again.

City life

■ A schoolboy writes home. "Dear mother, New York is very different from Basingstoke. Love, Alan".

Peter Riddell on the aftermath of the US budget upheavals

Only the beginning of a solution

The US at last has a budget, a month into the 1991 fiscal year. But has it been worth all the protracted effort and bitter divisions? Does the budget mark what Senator Jim Sasser, the Democratic chairman of the Senate Budget committee, has called "the beginning of the great correction, the fundamental adjustment of too many years of indulgence and excess"? Or is Ms Carol Cox, president of the bipartisan Committee for a Responsible Federal Budget, nearer the mark in arguing that "these are marginal adjustments in the largest budget in the largest economy in the world"?

The past month's upheavals are more important as a political than as a financial event. President Bush's approval ratings have moved far more than US government long bond yields. For the financial markets, the messy process is more significant than the outcome in confirming doubts about the willingness of US leaders to tackle the deficit problem.

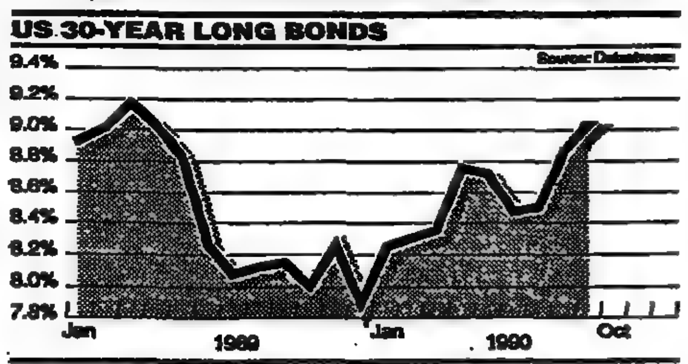
The Federal Reserve's token easing of monetary policy on Monday was the least it could do after its public pleas for a "credible" deficit reduction package. The Fed is more concerned with the shaky state of parts of the US banking system, rising inflation, the weakness of the dollar and the uncertain outlook for the US economy.

None the less, the result of all the debilitating argument is still the largest deficit-cutting package in US history – $41bn in the current 1991 fiscal year and $492bn over five years. But then the package has to be big in view of the scale of the problem. The combination of the soaring costs of the savings and loan rescue and the deteriorating economic outlook pushed up the expected deficit in 1991 from $100bn to nearly $294bn. The tax and spending measures for 1991 are not only no larger than those discussed in January but also leave the deficit some $36bn higher than in the 1990 fiscal year. It will take three years for the deficit to be cut to the level that it was supposed to be now.

The package can be seen as a symbolic act to appease the financial markets and to signal to the political world that the deficit problem is real. There has been little serious attempt to tackle the sharply growing expenditure on programmes to which people are entitled by right, especially pensions and health programmes. Even modest increases in the cost of Medicare provision had to be scaled back in the face of angry protests from the powerful elderly lobby. Grey power is now as much the engine of growing deficits as the defence budget was during the 1980s. Moreover, discretionary domestic programmes – the rewards congressmen offer their districts, such as bridges and dams – are still due to rise in line with inflation.

GEORGE BUSH: Approval ratings

US 30-YEAR LONG BONDS



Yet the package is not just an empty gesture. The tax and spending decisions to implement a $492bn reduction over five years have already been taken. Indeed, the strength of the public and congressional opposition suggests that the cuts are for once real and not illusory.

Some 72 per cent of the savings are on the spending side, though some are from lower debt interest costs produced by expected falling interest rates. There are, however, real savings in defence and assured increases in revenue from higher income and excise taxes.

New budgetary disciplines have also been introduced into the freewheeling world of congressional appropriations. These should ensure that any new proposals for spending are automatically offset by savings elsewhere.

But even if the new enforcement rules work, there is plenty of potential for slippage. The revisions to the Gramm-Rudman deficit reduction law – designed in 1985 to produce a surplus by now – have created targets so flexible as to lose their intended, though never successful, disciplinary impact.

Such uncertain variables as the cost of the savings and loan rescue – which could mean borrowings of $80bn this year alone – are being excluded. And the deficit target is now in effect being cyclically adjusted since there will have to be no offsetting measures next year if the US economy slips into recession.

Moreover, many economists believe the administration is still being too optimistic in its forecast of fast growth from 1992 onwards.

Yet, for all the scepticism, the package should help to reverse the deterioration of the past 18 months. The rise in the deficit, both in absolute terms and as a percentage of gross national product, should be halted over the next year. The direction should then be downwards, even if a balanced budget is still at least two presidential elections away.

The main question raised by the past month's crisis is whether the American political system can tackle the deficit problem. A good deal of high-minded disapproval has been expressed, notably from across the Atlantic, about flaws in the US constitution. But this misses the point, which is that the separation of powers necessarily involves open, and lengthy, disputes between the separate branches, especially when they are under different party control.

The problem has rather been one of political mismanagement. President Bush failed to prepare either his own Republican party or the American people for the seriousness of the deficit problem. By abandoning his "no new taxes" pledge, he split and weakened his own party, a majority of whom in both the Senate and the House of Representatives voted against the final budget package. By being indecisive, he surrendered the initiative to the Democratic leaders of Congress who were able to frame the debate on the issue of the fairness of the tax system. It is too early to say whether their successful effort to raise taxes paid by the wealthy represents *a fundamental reversal of the* tax-cutting mood of the 1980s.

Mr Bush has been left in the position of simultaneously reluctantly endorsing the final compromise deal so as to get some form of deficit reduction and then attacking the "tax and spend" Congress. Not surprisingly, many Republican candidates in next Tuesday's mid-term elections are distancing themselves from both him and the budget. Mr Bush faces the prospect that the Republicans will lose further ground in Congress and that he will be more dependent on the co-operation of the Democrats.

The deficit problem is the key to the US's long-term economic prospects. But the political costs to Mr Bush of tackling the problem at present outweigh the immediate benefits, particularly since this week's budget is only the beginning of a solution. Mr Richard Darman, the budget director, was being over-optimistic in saying: "I don't believe we will have to come back and ask for more [negotiations]." He, or his successor, will be back within a year or two at most.

Corporate governance

Bigger carrots and sticks

By Allen Sykes

The debate on short-termism as the main contributor to alleged excessive and inefficient takeover activity in Britain is presently a dialogue of the deaf. Fresh light is needed. My starting point is to consider the form and effect of corporate ownership, governance and financing in the two broad groups of western capitalist countries.

The first group comprises the English-speaking countries (E5 for short): Britain, the US, Canada, Australia and New Zealand. In these countries long-term finance is primarily in the form of equity capital, and the stock exchange is not just a financial market, but also an active market for corporate control. Corporate ownership is split between investment institutions and a minority of individual shareholders (80 per cent and 20 per cent of the total respectively in Britain). Debt is a minor part of long-term capital and most bank lending, certainly in Britain, is short-term.

The second group comprises western Europe, Japan and the newly industrialising countries: the "continentals". Here, corporate finance is typically supplied via long-term bank loans with the banks also having major shareholdings. The cost of capital is about half of what it is in the E5 countries. Further, continental countries tolerate a large variety of protective devices which, with the holding of shares by banks, makes hostile takeovers rare.

Long-term corporate efficiency is superior in continental countries because shareholders know more about, and are more committed to, their companies. They also exercise greater control over them. In short, the shareholders are "owner capitalists" who discipline managements in an informed and continuous manner.

The contrast with the E5 countries is marked. Management discipline is often light to non-existent because shareholders are generally passive. In practice, individual shareholders have negligible powers. Institutional shareholders have power but seldom exercise it. On their own admission, they lack the relevant expertise. They aim to maximise returns to their own shareholdings by constantly changing their investment portfolios. Underperforming shares are usually sold, or if that is difficult, held in hope of a bid.

Institutions seldom attempt to remedy management deficiencies. Typically, each holds comparatively few shares and cannot act effectively because it is too small. Nor can the institutions act collectively; they are competing with one another, sometimes fiercely, to attract funds. Few beat average index performance, yet overall corporate performance is inferior to that in continental countries.

When investment institutions compete fiercely (a trend that can only grow), short-term investment performance must be their overwhelming priority. Their growing short termism is thus directly built in to the system in which E5 public corporations must perform. This is not the fault of individual investment institutions, but of the E5 corporate system. Improvement depends on changing the system; anything else is mere tinkering.

The passivity of E5 investors means that boards of directors largely operate as they please. Inevitably they are self-chosen and self-perpetuating. Their own interests predominate and they have little incentive to discipline themselves. They seldom sack inefficient chairmen or chief executives. Most executive directors on British boards owe their positions and futures to these officers.

Few non-executive directors (who are mostly chosen by chairmen or chief executives) seek to impose demanding standards, nor have they an incentive to do so. Directors' incentives for superior performance are, in practice, small. Rewards in stock options and bonuses, certainly in Britain, are relatively slender compared to the increases in shareholder wealth which they could create.

This contrasts sharply with the performance of the individuals in most management buy-outs. When directors are owners (owner capitalists) and can reap substantial rewards if they perform, their achievement is greatly superior. This suggests that in E5 countries what is needed for enhanced corporate performance is a bigger carrot for directors and a bigger stick for shareholders.

In an *ideal system* of corporate ownership and governance, directors would be under a constant, knowledgeable management discipline but would have the time, resources and incentives to ensure long-term corporate efficiency.

Ideally, directors would be under a constant, knowledgeable management discipline but would have the resources to ensure long-term corporate efficiency

This requires three important changes. First, directors should be given radically improved incentives for profit-related performance: typically, say, 5-10 per cent of the improved market value of their companies over, say, five to seven years. In return, directors should risk up to two years' salary to be forfeit for non-performance. This would strengthen self-discipline: no one would take up such options without the most sober assessment. Many directors would move to smaller companies more appropriate to their competence. Younger people would be promoted or recruited.

Similar terms in relation to pay should be offered to non-executive directors. Then they could be expected to perform with zeal one of the main functions at present neglected, namely making life difficult for underperforming senior officers. They would have the backing of executive directors whose own futures and fortunes would be at stake.

Second, the effectiveness of institutional shareholders needs to be greatly improved. They need to move from passivity to longer-term involvement. This requires recruiting the expertise necessary to control companies in which they invest – a process which would be helped by having larger shareholdings in fewer companies. Investment institutions present "freedom" to chop and change between a large number of investments is illusory: it is the freedom to earn average long-term returns inferior to those earned by continental investors.

Third, the big clearing banks should also change radically their policies. They need to become providers of long-term debt finance and to take significant equity stakes in client companies as do banks in the continental countries. It would mean raising large sums of new debt and equity and recruiting and training staff to manage the new form of corporate client relationships. This would greatly add to corporate ownership stability.

With a greater understanding of client companies, and with the help of the fewer institutional shareholders, the banks could discipline and even replace inefficient management. By running fewer risks than at present they could sensibly lend a higher proportion of long-term capital as debt. This would lower average E5 long-term capital costs to continental levels.

In sum, neither individual directors, nor investment institutions nor clearing banks are responsible for the present inferior corporate performances in Britain and the other E5 countries compared with the continental countries.

Still less is the malaise directly due to the prevalence of hostile takeovers. The fault lies in the system of corporate ownership and governance that builds in growing short termism. The remedy lies in moving in the direction of the continental countries with the addition of a marked change in risks, incentives and rewards *for directors*. Only radical changes broadly along the lines indicated are capable of raising corporate and thus investment performance in the E5 countries. Such an outcome will greatly reduce the number of hostile takeovers, but that will be a by-product, not the main aim.

The author is a former managing director of Consolidated Gold Fields. This article is based on his paper Corporate Takeovers: the Need for Fundamental Rethinking, written for the David Hume Institute.

LETTERS

The real work of the European Parliament

From Sir F. Catherwood, MEP.

Sir, No Saturday would be complete without the Weekend FT and I enjoy its light-heartedness. But Lucy Kellaway's article ("Travelling circus prepares to govern Europe," October 27) is not up to your usual standard. Wit is based on sharp perception of realities, not on cheap sneers. And since your own reporting of the European Community is quite exceptionally reliable and penetrating, no one writing in your pages has any excuse.

Even the one point of substance is totally misleading. It is true that the European Parliament, under the Single European Act, has thrown out very little at second reading. But this is because, in half the cases, the Commission and Council have accepted parliament's amendments and in a large number of other cases, they have sufficiently met our points for us to let the legislation through.

Since Council meets behind closed doors, I am not sure where Ms Kellaway gets her view of its workings. I attended the annual meeting of the parliament's governing council with the Council of Ministers at the end of 1984, putting the parliament's proposals for what became the "1992" programme. The Council was represented by the Irish Foreign Minister, as president-in-office, and his Danish colleague. The rest were middle-ranking ministers or ambassadors. At the end of a desultory discussion where no one seemed to have knowledge or authority to take a view on our proposals, Peter Barry pronounced from the chair: "That seems a remarkably good idea!"

The Council is a constantly changing body of very part-time members and is incapable both in practice and in constitutional power of putting coherent proposals. Look at the present mess it is making of the General Agreement on Tariffs and Trade (Gatt).

Parliament, like all parliaments which reflect the democratic choice of the voter, is, of course, a "ragbag" because voters themselves have views that are many and varied. But, though I have run large businesses and been a senior public servant, I am prouder of my membership of the European Parliament than any other institution I have ever served.

Fred Catherwood,
vice president,
European Parliament,
Shire Hall,
Castle Hill,
Cambridge

From Mr Stanley Crossick.

Sir, Ms Kellaway's article does a disservice to the European Parliament, the UK and the FT. The parliament's current performance is disappointing, as many MEPs recognise, and its case is not being well presented. The parliament must bear much but not all the blame for this.

A strong European Parliament (to supplement but not to replace national parliaments) is an essential part of the institutional structure of Europe, whose next stage of creation is in progress.

Destructive jibes at the European Parliament normally come from those who do not seek to build a strong, open and democratic Community. It is just as easy to write in this vein about the House of Commons and other national parliaments. The Commons is frequently "almost empty"; indeed the chamber is not big enough to seat all its members at the same time.

Ms Kellaway's article is inaccurate in implying that the parliament's influence has not increased since the Single European Act came into force. It is not the legislation parliament rejects that matters but the legislation it influences without rejecting. The parliament does not usually vote until assurances are received from the Commission as to the amendments which will be accepted.

Were parliament the joke the article suggests, hotel rooms would not be so difficult to obtain in Strasbourg during plenary sessions. Industry, non-governmental organisations and consultants would not spend so much time and effort in Strasbourg, and in Brussels during committee meetings, unless they believed parliament had real influence.

Stanley Crossick,
Belmont,
European Community Office,
Boulevard Charlemagne,
Brussels

Japanese co-operative research

From Mr Martin Fransman.

Sir, The article by Guy de Jonquières ("Shortcomings of joint research," October 16) contains some misconceptions regarding the role of Japanese co-operative research programmes.

He makes four criticisms of European co-operative research programmes such as Jessi, Esprit and Eureka, and their American counterparts such as Sematech and MCC. He says there is no clear evidence that they have achieved their aim of strengthening industrial performance. They have not equipped western companies with "any world-beating new technologies". They have not given their participants the "great leap forward which Japan's government-sponsored very large scale integration (VLSI) programme gave its computer and microchip industries in the 1970s". And they have mistakenly focused on technology, whereas the real western problems lie "in industry and market structures".

I am not concerned to argue the pros and cons of these western programmes, but rather to point to some of the key features of Japanese government-initiated co-operative research programmes. My comments are based on my just-published book, The Market and Beyond, Co-operation and Competition in Information Technology in the Japanese System. The following features are relevant to Mr de Jonquières argument.

There is no evidence that the Japanese programmes have produced world-beating new technologies (according to any reasonable interpretation of this phrase).

There is no evidence that the VLSI programme gave the Japanese electronics companies a great leap forward. Its greatest achievement was probably the creation of a more tightly integrated network of semiconductor-using and equipment-supplying companies.

Competition between the participating Japanese companies limited the sharing of knowledge. The greater part of most of these programmes involved co-ordinated research rather than the much fuller sharing of knowledge attainable under joint research in joint research facilities.

The main aim of the Japanese programmes was to extend existing knowledge in key areas in an incremental and practical way, that is to undertake oriented basic research, rather than to produce world-beating new technologies.

There is evidence that they have succeeded in this aim. There is evidence that the Japanese companies allocated significant additional resources to the selected research areas as a result of these programmes, compared to what they otherwise would have allocated.

Martin Fransman,
director,
Institute for Japanese-European Technology Studies,
University of Edinburgh

Towards higher standards

From Mr Tony Webb.

Sir, Most of our ablest 16 to 19 year olds are in further education, sixth form colleges, or comprehensive schools. Unlike Robin Reeve, headmaster of King's College School, Wimbledon ("Why reform holds no lessons for the able," October 17), I believe that their interests are well served by the School Examinations and Assessment Council's (SEAC) Draft Principles for Advanced Supplementary and Advanced Examinations.

The new role proposed for AS Levels will enable such young people to develop the breadth that is characteristic of the education of the most able in our competitor countries. Continuous and varied assessment will give them the range of challenges that they need.

Syllabus objectives stated in terms of high-level skills as well as knowledge will ensure a wider and more appropriate definition of competence. The integration of core skills into all Advanced Levels will give such students the preparation for adult life to which they are entitled.

Some of our most able students are flourishing on innovative A-levels which SEAC is piloting and which incorporate many aspects of the draft principles. It is essential that the movement towards higher standards, already begun, is not thwarted.

Tony Webb,
director of education and training,
Confederation of British Industry,
Centre Point,
103 New Oxford Street, WC1

FINANCIAL TIMES
Wednesday October 31 1990

World's longest undersea tunnel joins Britain to continental Europe for the first time since the Ice Age

France-Britain link no longer a dream

By Andrew Taylor, *Construction Correspondent, in Dover*

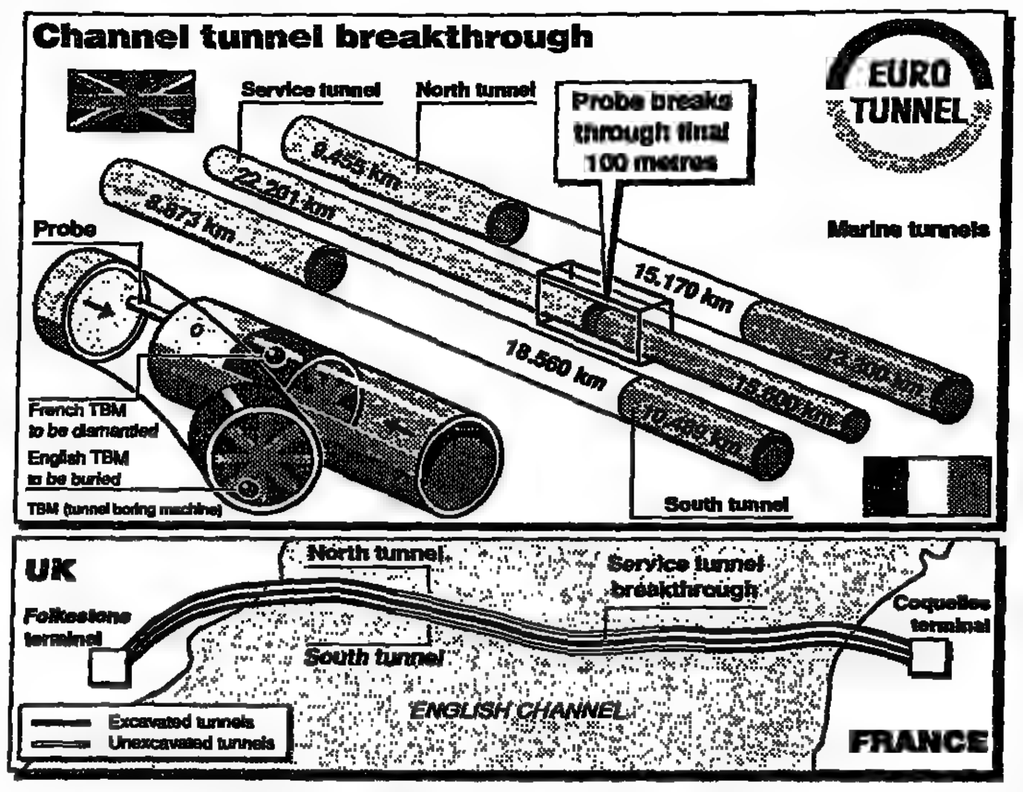
FRENCH and British tunnellers made contact with each other under the Channel last night for the first time as a thin steel probe was pushed through the last 100 metres of chalk marl which divide them.

The breakthrough by the probe, which makes a narrow hole 60mm wide, follows three years of tunnelling by the huge 500-tonne boring machines which have excavated the service tunnel, the first of of the three tunnels to be fully dug.

Only a handful of the 13,000 British and French workers employed on the project have been able to witness the linking by the probe but, over the next four weeks, a gallery big enough to allow a person to pass through will be dug.

By early December people should be able to walk from Britain to continental Europe for the first time since the Ice Age. TML, the consortium of British and French construction companies building the tunnel, said the real celebration would then take place. The service tunnel is due to be completed and lined by the new year.

With the steel probe in place, engineers will know exactly the nature of the rock they have to dig through. There should be no more unpleasant surprises caused by an unexpected deterioration in ground conditions and jokes about the tunnel failing to meet in the middle will also have to be removed from the repertoire of British and French comedians. Laser beams have plotted the precise route of the tunnels to ensure that they meet in the middle.



The tunnel is the world's longest under sea – the Seikan tunnel in Japan is marginally longer.

Its construction has involved the digging out and shifting of millions of cubic metres of soil from under the Channel. Sand, cement and other materials have been moved by road, rail and pipeline to construct tunnels and new roads; two huge rail terminals are being built at Folkestone in Kent and Coquelles in northern France.

Around 4m cubic metres of chalk has already been removed from the British end of the project alone. This has been disgorged along a purpose-built railway and conveyor belt system stretching up to 21km from the tunnel face back to the Kent coast.

When all three tunnels are completed the track will be ripped out to make for way for the commercial railway which will link Britain and France.

Some of the spoil has been deposited – at a rate of up to 2,000 tonnes an hour – into purpose-built lagoons at the base of Shakespeare Cliff between Dover and Folkestone. A 1.5km long platform will stretch 125 metres out to sea. There are plans to turn this into a leisure area, including possibly a nature park.

By last night more than 70 per cent of the 150km of rail and service tunnels had been completed. And, more than 60 per cent of the two rail terminals had been built. The French terminal is itself one of Europe's biggest ever construction projects.

Poor ground conditions, particularly under the Kent coast, restricted tunnelling in the early years of the project. Only 7km of the 51km service tunnel were completed in the whole of 1988. There have been rows between the constructors and Eurotunnel over delays and mounting costs and nine lives, seven in Britain, have been lost during construction.

The cost of the project, estimated at £4.8bn ($9.45bn) in 1987 has soared to more than £7.5bn. Eurotunnel is now in the process of raising a further £2.6bn to complete the project. This includes a £530m rights issue, the prospectus for which is due to be published early next month.

The British tunnelling machine, built by Howdens in Glasgow, will be left underground parked in a gallery alongside the service tunnel. The French machine will be dismantled and removed.

Most tunnelling machines are purpose built to suit specific ground conditions so there is not much of a second hand market for this equipment.

Once the tunnel is operating, spot checks will be made by customs officers and police at both ends of the tunnel in an effort to prevent it becoming a through route for smugglers.

Anti-fraud police raid London headquarters of Polly Peck

By Clay Harris and David Barchard in London

THE BRITISH government's Serious Fraud Office yesterday sent police and accountants to conduct an all-day search of the London headquarters of Polly Peck International, the company which sought protection from its creditors last week with debts exceeding £1.3bn ($2.56bn).

The high-profile operation came five days after three administrators were appointed to oversee the group's affairs. The administrators, who learnt of the raid shortly before it began, said they were co-operating fully with the SFO.

Mr Asil Nadir, Polly Peck's chairman, attacked the search, which he described as "astonishing". He said it was "symptomatic of a new desperation" on the part of the SFO.

In a statement, Mr Nadir said Polly Peck had already voluntarily opened its books to the SFO's accountants.

"For about three weeks those accountants have been working in the company's offices, inspecting documents, and their questions were being answered," he said. The accountants had been working in their own basement room next to the kitchen.

Mr Nadir also said: "I have committed no criminal act and in particular I have not been involved with any illegal or unauthorised share dealings".

For their part, the accountants in the raid – from KPMG Peat Marwick McLintock – said: "A quantity of documents will be examined at the headquarters but disruption to the functioning of the administrators is being kept to a minimum".

The SFO, with Mr Nadir publicly challenging its methods, is likely to face increasing pressure to show results from its investigations into Polly Peck and South Audley Management, a private company owned by a Nadir family trust.

Reports of the SFO's original raid on South Audley's headquarters on September 19 contributed to the collapse and suspension of Polly Peck's shares the next day.

Tomorrow Mr Nadir will try again in the High Court to force the SFO to tell him the basis of its inquiries. His first effort earlier this month failed.

Mr Peter Lilley, trade and industry secretary, is expected to decide next week whether to launch a separate investigation into the company. Mr Gordon Brown, the Labour opposition party's trade and industry spokesman, yesterday urged Mr Lilley to end the "dithering and delay" in appointing inspectors from the Department of Trade and Industry.

The DTI may already have started an investigation of Polly Peck under Section 447 of the Companies Act but it never announces or comments on the lower-level inquiries launched under this provision.

In Turkey meanwhile, Mr Namik Kemal Kiliç, Treasury under-secretary, said his government would not attempt to control or restrict cash transfers abroad by Polly Peck subsidiaries in the country.

The statement was the first by a senior Turkish official since Polly Peck, one of the largest foreign investors in Turkey in the 1980s, was placed in administration.

"Any company should be able to change hands at any given time according to international legislation," Mr Kiliç said. His words were taken as a signal that Ankara will co-operate with administrators when they go to Turkey some time next week.

Turkey scrapped most of its remaining exchange controls last year, so there are now no identifiable obstacles to transferring the proceeds of any disposals to the UK to pay off claims against the parent company.

Additional report, Page 26

Hindu militants seize Moslem holy site

By David Housego in Ayodhya

HINDUS yesterday stormed and damaged a mosque at Ayodhya, northern India, after repeated clashes between police and crowds left six dead and scores injured.

Triumphantly planting saffron flags on the mosque's three domes, a crowd of cheering militants was left undisturbed for more than 15 minutes after discipline collapsed among Indian security forces protecting the site.

The fall of the mosque dealt the worst blow to India's secular tradition since independence in 1947 and shook the faith of India's 110m Moslems in the government's ability to defend them.

The Hindus hacked stones and metal window bars from the interior of the 400-year-old building and held ceremonies to mark the beginning of construction of a temple. They claim the site originally housed a temple to markthe birthplace of the god Rama.

The immediate impact of yesterday's events is to deal a further devastating blow to the administration of Mr V. P. Singh, prime minister. Mr Singh was counting on the Moslem vote in the early general election which is now expected.

The government had staked its reputation on preventing the seizure of the mosque. Last night, Mr Singh offered to resign in a letter to Mr S. R. Bommai, head of his Janata Dal party, an offer he has made twice before when faced with party dissidence.

A further 23 people were killed in demonstrations in other parts of India yesterday, some under police fire. The controversy has claimed at least 135 lives in the past week.

In Uttar Pradesh state, where Ayodhya is located, tens of thousands of troops had been deployed. The storming of the heavily fortified site on which the mosque stands came after repeated clashes between surging crowds and police in the narrow streets of the pilgrim town.

The militants gained access to the mosque through the pressure of the almost hysterical crowd and seeming connivance of paramilitary forces guarding the site. Members of the Central Police Reserve Force (CPRF) are believed to have opened the lock on the last steel barrier – reflecting the sympathy that many in the paramilitary and police forces have for the Hindus.

The security forces lost control early in the day in the face of unexpectedly determined attempts by militants to reach the mosque. One group hijacked a bus carrying militants under arrest and then smashed their way through police barriers to within a few hundred yards of the site.

As the crowds gathered in strength and courage, the police seemed to lose their nerve – especially when called on to fire. Two armed state policemen could be seen hiding in a house near Khanak Bhavan, in the centre of Ayodhya, because they were unwilling to use their weapons.

Police lobbed teargas shells in an attempt to prevent the crowds entering the mosque, but did not fire warning shots.

Mr S. P. Dixit, a leader of the Vishwa Hindu Parishad (VHP), the fundamentalist movement that has organised the crusade for the construction of the temple, claimed the mosque had been symbolically "destroyed" and that a start had been made to the building of the temple.

The government has claimed that almost 100,000 Hindu militants have been arrested in recent days in an unprecedented crackdown on devotees of the main religious community. Those arrested include Mr L. K. Advani, leader of the Hindu militant BJP party, which earlier withdrew its support for the government over the issue.

Soviet parliament tackles draft law on foreign investment

By Leyla Boulton in Moscow

THE Soviet parliament is expected today to begin examining long-awaited legislation to protect foreign investment in the Soviet Union.

While legal guarantees are seen as the key to encouraging western investment in the ailing Soviet economy, the draft law is, however, likely to leave many businessmen hungry for additional clarification and concessions.

The document defines investment as covering almost every form of economic activity – with the notable exception of land ownership, which is still banned and has yet to be decided upon by national and republican parliaments.

Investment assets include deposits, stocks and bonds, intellectual property, fixed assets such as buildings, know how, and "the right to use land and other natural resources".

While saying that the state guarantees the protection of investment, the bill also promises "full compensation for losses" in the event of the nationalisation or confiscation of assets. Although the law is apparently not retroactive, investors will not forget how the Bolsheviks reneged on pre-revolutionary debts and confiscated assets invested before the 1917 Revolution.

Disputes arising from investment activity are to be settled by courts, state arbitration, and arbitration tribunals. The law bans state organisations from meddling in investment activity which does not break the law.

It also says that state organisations which cannot afford to pay compensation must be helped to find the necessary sums by government authorities. Those are both important provisions where state organs constantly interfere in business, and at the same time take little responsibility for their actions.

The new legislation's appearance follows decrees by President Mikhail Gorbachev last Friday allowing foreign companies 100 per cent ownership of Soviet businesses and the repatriation of profits. But the conditions under which investors will be allowed to take hard currency profits out of the country are still unclear, even though this may be covered by a "regulation on currency" which is also on the parliament's agenda this week.

The bill under consideration today simply says that an investor is entitled to dispose of the fruits of his investment in accordance with union and local legislation.

The law also covers investment by Soviet entities. It adds that the state is to use preferential taxation to attract investment to high priority areas such as the social sphere (housing), technological modernisation and innovation.

Leningrad mayor in US, Page 6
Revolution celebration, Page 2

Framatome tussle ends

Continued from Page 1

tome as a subsidiary, the group will make a large profit on the deal. The sale price includes a FFr210m premium for the transfer of control to the public sector.

The FFr490m at which the shares themselves are being sold values Framatome at FFr7bn, and also includes an, as yet unquantified, capital gain.

CGE will put the cash towards the roughly FFr2bn it needs to pay to Fiat, the Italian car maker, as part of a recent exchange of business activities and share stakes.

The CEA and Electricité de France, the electricity board, will now hold a combined 46 per cent in Framatome, with 5 per cent in the hands of Crédit Lyonnais, which engineered the deal on behalf of the finance ministry. The remaining 5 per cent will go to Framatome' staff, a slight increase on their present shareholding.

THE LEX COLUMN

Cheer up, the worst is yet to come

Depressing though it is, the Confederation of British Industry's account of the past quarter is not much worse than expected. The worrying bit is the outlook. The survey's forward indicators such as investment intentions are not as bad as in 1974 or 1980. But they still suggest the equity market can forget ideas of the economic downturn being confined to 1990. It now seems possible that UK manufacturing output will fall for the whole of next year, not just the first half.

The implications for equities are not cheerful. The survey shows clearly how the speed of the third quarter downturn caught industry unawares; demand, output and prices all turned out considerably worse than the previous survey in July had foreseen. If the outlook is confusing for finance directors, it is much more so for analysts. Earnings forecasts may have been scaled down for 1990; they have yet to be hacked back for 1991.

The survey confirms in detail what had previously been suspected: that the downturn has now extended from domestic markets to exports; and that, while input costs are still rising, output prices are not. The drop in export orders is due to falling demand rather than higher export prices, so sterling's strength within the ERM is not yet a factor, though it doubtless will be. While companies expect unit costs to carry on rising even more sharply in the fourth quarter, they are a good deal less optimistic on prices than this time last year.

The implied trend is of a welcome downturn in inflation at a heavy cost to trading margins. If so, there may have been more justification for the recent cut in base rates than has been generally allowed. But given the CBI's picture of the unemployment outlook, the government is still in for a rough time. It will soon be able to mount the defence that, like the recessions of 1974 and 1980, this one now extends around the world. But that is precious little consolation for the rest of us.

Mount Charlotte

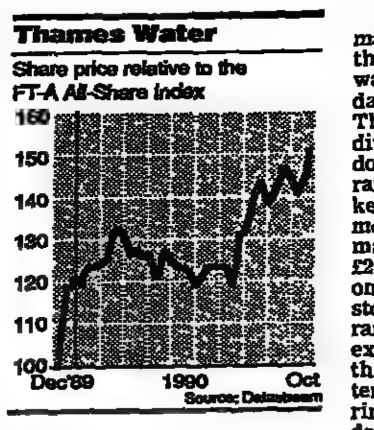
Another successful bid, another pretext for debate about whether the average UK fund manager is an unmitigated short-termist. In the matter of Mount Charlotte, the case for the prosecution is pretty strong, but not definitive.

Even the victorious Brierley Investments happily concedes that 122p per share is a fair net asset value to put on the hotels, a lot more than the 73p it successfully offered. Let us assume, first, that the debt involved does not sink Brierley, which has £900m borrowings of its own already; and second, that Mount Charlotte's able management stays on and can sell the £200m-odd of hotels it was aiming to shed this year. If those conditions are fulfilled, Brierley has bought a prize asset cheaply and the fund managers have sold themselves short to the same degree.

But it would not do to pontificate. Mount Charlotte's management queered its own pitch by gearing up excessively in 1989. And Brierley accurately perceived that in the post-Kuwait, post-Polly Peck stock market, investors cannot quite convince themselves that an asset is genuinely worth what a valuers' report says it is. By way of coda, it is worth pointing out that shareholders should not rule out entirely the idea of keeping their paper as minority holders in Mount Charlotte. As Rothmans shows, being in a minority is not necessarily a passport to nowhere. The key issue could be whether or not Mr Robert Peel, Mount Charlotte's boss, is prepared to help out.

Thames Water

Share price relative to the FT-A All-Share index



Thames Water

Quite correctly, given the way Ofwat regulates water company profits, the stock market takes little notice of their earnings per share and concentrates on the dividends. So it might make sense if all 10 companies copied BOC, the gases group, and declared their total annual dividends at the start of their financial year. An obvious advantage for investors and managers alike is that it would focus minds on judgments about each company's long-term dividend potential.

The same could apply to many sectors of industry, but the concept is very apt for water companies. Take yesterday's interim figures from Thames Water. Its modest diversifications seem to be doing well, it sees no need to raise money in the debt markets for perhaps another 12 months and it is happy with market forecasts of £205m-£210m for the year. But this is only a fragment of the real story, which is all about long range forecasting of big capital expenditure needs – £400m this year alone – and long term projects like the London ring main. Setting the dividends in advance would be much closer to what actually goes into managing the business.

William Low

It was not a good day for a surprise rights issue, but the fact is William Low had no choice. The momentum achieved by its 1986-88 development push is nearly spent. Yesterday's cash call aside, most forecasts were for flat earnings next year, a trend which would certainly have been apparent by the interim stage. Instead, shareholders are being offered a deep discount immediately after 21 per cent profits growth and a 19 per cent dividend increase. Add in a near 40 per cent outperformance by the shares so far this year and investors, Sir Ron Brierley apart, might be inclined to be generous.

As to the merits of the company's second rights issue in three years, it shows the emphasis is back on organic growth, its dalliance with acquisitions consigned to the freezer. After failing to buy Budgens and the Gateway stores, Low has at least regrouped around its strengths. It is hard to argue with a strategy designed to improve the group's distribution, upgrade computer systems and expand the selling area to a respectable 1m square feet, including a higher ratio of profitable new space.

Nevertheless, the shares quickly dropped below the theoretical ex-rights price of 339p, which suggests some investors have seen enough. Their doubts are no doubt based on familiar arguments over the future for a food retailer which will always be hungry for cash if it is to continue a successful regional battle with larger rivals. On forecast profits of £25m, the shares are on a demanding rating of 11½ times earnings.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	22	72
Algiers	S	27	81
Amsterdam	R	11	52
Athens	S	23	73
Bahrain	F	30	86
Bangkok	F	32	90
Barcelona	S	23	73
Beirut	–	–	–
Belfast	F	8	46
Belgrade	F	17	64
Berlin	C	7	45
Biarritz	R	15	59
Bombay	S	32	91
Bordeaux	C	13	57
Boulogne	F	12	55
Brussels	S	12	54
Budapest	C	15	59
Buenos Aires	R	[illegible]	[illegible]
Cairo	S	36	97
Cape Town	S	17	63
Caracas	C	29	84
Casablanca	C	21	70
Chicago	F	11	52
Cologne	F	12	55
Copenhagen	S	10	50
Corfu	F	23	73
Dallas	S	12	55
Dublin	C	10	50
Dubrovnik	R	18	66
Edinburgh	C	8	46
Faro	C	20	68
Florence	F	22	72
Frankfurt	C	12	54
Geneva	C	12	55
Gibraltar	S	22	73
Glasgow	C	7	45
Helsinki	C	5	41
Hong Kong	S	25	77
Innsbruck	F	12	54
Inverness	F	3	39
Islamabad	F	27	81
Istanbul	R	16	61
Jakarta	C	32	91
Jersey	C	12	55
Johannesburg	S	27	81
Lima	C	20	68
Lisbon	F	18	66
London	C	13	57
Los Angeles	S	15	59
Luxembourg	C	7	45
Madeira	[illegible]	22	72
Madrid	F	18	66
Majorca	S	22	73
Malaga	S	23	[illegible]
Malta	S	23	73
Manchester	C	8	46
Manila	F	32	91
Melbourne	S	17	63
Mexico City	C	17	64
Miami	F	21	70
Milan	–	–	–
Montreal	–	–	–
Moscow	S	2	37
Munich	[illegible]	8	46
Nairobi	F	23	75
Naples	F	22	72
Nassau	C	27	81
New Delhi	S	28	84
New York	S	5	41
Nice	[illegible]	23	73
Nicosia	S	26	79
Oporto	C	17	64
Oslo	[illegible]	7	45
Paris	F	12	54
Peking	S	17	63
Prague	F	8	46
Reykjavik	S	5	41
Rhodes	F	22	72
Rio de Janeiro	F	35	95
Rome	–	–	–
Salzburg	C	7	45
San Francisco	S	12	54
Seoul	S	18	65
Singapore	F	31	88
Stockholm	F	7	45
Strasbourg	C	12	54
Sydney	S	33	93
Taipei	–	–	–
Tangier	F	22	72
Tel Aviv	–	–	–
Tenerife	F	23	73
Tokyo	R	13	57
Toronto	S	1	34
Tunis	[illegible]	27	81
Valencia	S	25	77
Venice	–	–	–
Vienna	F	12	55
Warsaw	C	12	54
Washington	S	2	36
Zurich	R	12	55

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

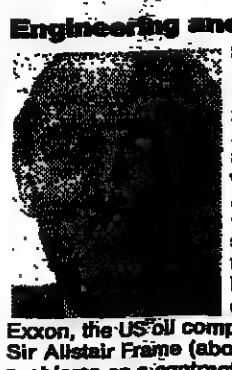
FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday October 31 1990

INSIDE

A call to arms

A French arms company has made an offer for most of the industrial assets of Fabrique Nationale Herstal, the nearly bankrupt Belgian arms maker. In order to consider the approach, made by Groupement Industriel des Armements Terrestres (Giat), FN's shareholders yesterday decided to give themselves another month to reach a final solution on how best to resolve the company's growing difficulties. *Lucy Kellaway reports.* Page 20

Engineering another crisis



Shareholders of Britain's largest independent engineering group, Davy, are wincing at the news that the company is involved in a legal wrangle over yet another large, late-running contract. Davy's shares fell yesterday as the City digested the implications of the latest dispute over work for Exxon, the US oil company. Davy, headed by Sir Alistair Frame (above), recently ran into problems on a contract to provide a floating production platform for the Emerald oil field, east of Shetland. Page 28

Fletcher meets the challenge

Last week, Fletcher Challenge sealed a deal with British Gas which confirmed its dominance of New Zealand's oil and gas sector, bolstered its position as the country's biggest business, and added to chief executive Hugh Fletcher's (left) considerable reputation as a deal-maker. The move is further evidence of the drastic reshaping that has taken place at the group in the last decade. Page 23

Nymex under scrutiny

US futures trading in oil has come under intense scrutiny in Washington amid charges that speculators have taken advantage of the Gulf crisis to drive up prices. A few rash souls on Capitol Hill have suggested closing the New York Mercantile Exchange (Nymex), but calmer heads have prevailed. However, a Senate hearing is scheduled tomorrow to examine Nymex's trading since Iraq's August invasion of Kuwait and, though not framed around legislation, it is stirring worries at Nymex about possible policies to come. Page 28

Warsaw follows the Lyons line

Poland's attempts to build a local stock market have edged ahead with the recent approval of new draft legislation on lines similar to the US Securities and Exchange Commission. The future Warsaw exchange, however, will use the regional French bourse at Lyons as its model, giving the new market room to develop gradually. Back Page

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Colonia Vers	1259	+	20
Porsche	760	+	10
Falls			
Daimler-Benz	583	−	16.5
Deutsche Bank	801.2	−	13.3
Horten	216	−	10
Schering	671.2	−	10

NEW YORK ($)			
Rises			
Gen Cinema	19⅜	+	⅜
Neiman-Marcus	14⅝	+	3⅛
Falls			
Boeing	44½	−	1⅝
Borden	30¾	−	2½
Citicorp	11½	−	⅜
Ford	27⅝	−	2

PARIS (FFr)			
Rises			
CGIP	885	+	34
Radiotech	329	+	16.9
Falls			
Beghin-Say	695	−	14
Chargeurs	742	−	19
Coparex	660	−	20
Lafarge Copp	331.1	−	21.9

TOKYO (Yen)			
Rises			
Onoda Cement	685	+	49
S'tomo Metal	518	+	18
Ya'nouchi Pharm	1820	+	60
Falls			
Fuji Heavy	701	−	24
Tosoh Corp	640	−	30
Toyobo	680	−	15

LONDON (Pence)			
Rises			
Mt Charlotte	72	+	6
Rechem	465	+	7
Standard Chart	250	+	7
Tilbury	535	+	5
Falls			
BAA	356	−	8
Barclays	332	−	13
Bass	1016	−	26
BICC	336	−	25
Bluebird Toys	38	−	9
Burns Anderson	6	−	4
Davy Corp	87	−	7
Harrisons Cros	128	−	8
Iceland Frozen	272	−	12
LASMO	445	−	8
Lloyds	250	−	7
Lowe (W.)	331	−	23
Midland	177	−	10
Nat West	243	−	12
Rank Org	543	−	36
Reed Int	330	−	11
Reuters	807	−	52
Securiguard	58	−	13
Siebe	253	−	6
Unigate	278	−	12

Chairman Harold Poling: fourth-quarter results will reflect the costs of a labour accord with the United Auto Workers

Ford profits fall 79% in third quarter

By Martin Dickson in New York

PROBLEMS in the important European car market contributed to a 79 per cent drop in third quarter profits at Ford Motor, the second largest US automobile group, which warned yesterday that its financial results would remain weak in the immediate future.

The company reported earnings of $102m, or 22 cents a share, in the third quarter compared with earnings of $477m, or $1.03, a year ago. Sales and revenues rose $2.7bn to $23bn.

The figures were weaker than Wall Street had been expecting and Ford shares fell in heavy trading on the New York Stock Exchange to stand at $27⅝, down $2⅜ at lunchtime. Mr David Healy, an analyst at Barclays de Zoete Wedd, said the size of Ford's losses outside the US had been particularly surprising.

Ford said it lost $89m compared with a profit of $324m in its non-US automotive business, due partly to government economic action in Brazil and Argentina, but also to higher product costs in Europe and lower vehicle production in Europe and Australia.

In the US, a market suffering from severe price competition and soft demand, automotive operations produced a profit of $50m – but only after a favourable $67m change in computing depreciation – compared with a $37m loss a year ago.

Ford's financial services group also saw a dip in profits, from $190m to $141m. An increase in loan loss reserves at First Nationwide, its savings and loans subsidiary, because of problem real estate lending, more than offset improved net interest margins and operating efficiency.

Mr Harold Poling, Ford's chairman, said he expected the financial results to remain weak in the near term, while the fourth quarter figures would reflect the first year costs of the company's recent labour agreement with the United Auto Workers and an increasing mix of less profitable small cars in the US.

Mr David McCammon, vice-president finance, told a news conference that despite the earnings drop the company was "comfortable" with its 75 cents a share quarterly dividend payment. He said it was too soon to tell how the company's purchase last year of Jaguar, the UK luxury car maker, would work out. Ford expected to release a capital spending plan for Jaguar shortly.

● Ford of Canada reported a third quarter net loss of C$94m or C$11.29 a share, against a profit of C$48m or C$5.84. Revenues fell from C$3.1bn to C$3bn. The loss reflected higher incentive costs, lower recovery of product cost increases and lower vehicle sales.

Britain's spannermen resist the US wrench

The threat of an American recession will not deter UK engineering companies, reports Charles Leadbeater

British companies will be keeping a close eye on Siebe, the UK engineering group, as it gets its teeth into Foxboro, the process control company which it acquired for £656m ($1.3bn) in late July. The success, or failure, of Siebe's tough programme – about 1,600 jobs are to be cut from Foxboro's US and European operations in the next few months – could be a measure of the challenges facing other British engineering companies in tackling difficulties in their US operations.

Since 1986 Siebe has spent about $890m to acquire three US controls companies, Robertshaw, Ranco and Barber Coleman, from which it has squeezed higher margins. But Siebe will have to work especially hard if Foxboro is to be the latest addition to that line of success stories.

It is not just that Foxboro's past problems with launching sophisticated new products presents a considerable management challenge: just as significantly, the deal comes as the US economy is poised on the edge of recession.

In the past decade, British companies have been hungry acquirers in the US, attracted by the size of the domestic market, the openness of its capital markets and the superficial similarity of its business culture to that in Britain. Between 1985 and 1989 British companies made 1,267 acquisitions in the US worth more than $60bn, dwarfing UK investment in the rest of Europe.

The intention was to strengthen companies by reducing their vulnerability to the state of the British economy. In the next few years, the return on those assets will be lower than many UK companies were hoping for when they made the acquisitions. British companies will also be under pressure to make the best use of their US assets, for example, by exploiting the weakness of the dollar to export from America, as well as supply the local market.

British companies with US subsidiaries are struggling with two related factors. First, trading conditions in some sectors such as automotive and construction have taken a turn for the worse. A second concern has been sterling's strength against the dollar which is depressing the value of profits earned in the US.

Last week two companies provided evidence that, while the slowing US economy will not have a disastrous effect on profits, it will depress them. Lucas, the Midlands-based automotive and aerospace systems supplier, announced flat profits, partly because currency movements had cost the company £27m in sales and £1.5m in pre-tax profits.

Smiths Industries, which had a turnover of £307m in the US last year, was also held back. Translation of profits at a year-end exchange rate of $1.86 to the pound cut profits by £5m compared with 1989. But, by remitting cash early in the year at an exchange rate close of $1.70, the company limited its losses to about [illegible].

British companies are likely to become more cautious about expansion in the US. Those hit by high interest rates and recession in the UK will be seeking to conserve cash and may pull in their horns on international acquisitions. However, for several reasons the British corporate love affair with US is unlikely to sour.

Paradoxically, sterling's strength against the dollar may confirm the importance of establishing production in the US to service US customers.

Britain's entry into the exchange rate mechanism (ERM) means that companies will be able to supply continental Europe from a UK base without fear that trade will be badly disrupted by exchange rate movements. This will lessen the incentive to make acquisitions in continental Europe.

It is sterling's strength against the dollar which will really hit companies attempting to export to the US from a British base. Those exporters may well want to join UK companies which have already established production in the US, thereby protecting their revenues from exchange rate movements.

Even companies such as Smiths Industries – which already supplies 70 per cent of its US sales from American factories – may have to go further.

Mr Gerry Mortimer, the company's economic adviser says: "The exchange rate means that development projects in the UK, which are quite labour intensive, are operating on much tighter margins. In the long run, we may have to consider transferring more research and development work to the US."

Not all sectors of the US economy are turning down. Both Smiths Industries and Lucas are heavily involved in the US aerospace industry.

Although the financial pressures on airlines – largely generated by higher fuel prices – are starting to cloud the outlook for civil aerospace, the industry is still doing well.

In sectors such as aerospace and cars there are special factors which make it extremely unlikely British companies will withdraw from the US. They have been drawn there by long-term supply arrangements with customers they serve around the world.

GKN, the automotive and industrial services group, has long-term supply agreements with Ford until 1993 and Chrysler until 1994. It has little choice but to manufacture in the US and wherever else Ford moves if it wants to maintain this relationship.

GKN has managed partially to insulate itself from the downturn in the overall market. It supplies plants owned by Toyota and Honda which have not suffered the decline in sales of the Big Three US producers, Ford, Chrysler and General Motors. An agreement with another Japanese manufacturer in the US is expected soon.

Even in sectors where British companies are dealing more directly with consumers, the attraction of the US is still strong. IMI, the Birmingham-based engineering group, sees considerable benefits in having five US plants manufacturing drinks dispensers.

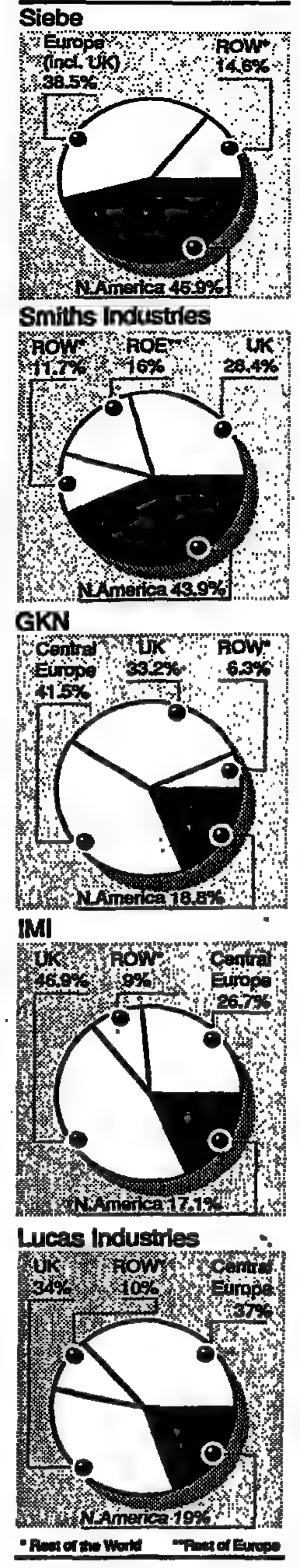
Mr Roy Amos, chief executive of IMI's drinks dispenser division, says the US market for the machines is down about 5 per cent.

Like other British groups, however, IMI is developing a more international approach to its use of manufacturing assets outside the UK. US plants will not be used just for the American market.

"With flatter demand in the US, the plants [there] are turning to exports, helped by the weakness of the dollar – to the Far East in particular," says Mr Amos.

IMI also hopes that the reduction in profits from its American trading operations will be offset by the way it has financed investment through cheaper borrowing in the US.

SALES BY REGION



* Rest of the World ** Rest of Europe

IRI considers merger of Credito Italiano and BCI

By Haig Simonian in Rome

IRI, Italy's large state-owned holding company, is considering whether to merge Banca Commerciale Italiana (BCI) and Credito Italiano, two of the three "banks of national interest" it owns.

BCI has assets of $88.6bn, the third biggest in Italy, while Credito Italiano has assets of $75.2bn, the fifth biggest. A merger would make Italy's biggest bank.

The news follows confirmation that IRI will transfer ownership of Banco di Roma, the smallest of the big banks under its control, to a new holding company majority-owned by the Cassa di Risparmio di Roma, Italy's second biggest savings bank.

The Rome Cassa is also believed to have played an important role in underwriting the recent L200bn ($176m) issue of new savings shares for Banco di Napoli, the big Naples-based bank.

Such a move, which has not been confirmed by the banks concerned, could point to one of the next steps in the current concentration and partial privatisation of Italy's fragmented banking sector.

Banco di Napoli's future as an independent institution has been called increasingly into question on both strategic and capitalisation grounds. However, while acknowledging that the bank may not be able to remain independent in the longer-term, senior political sources in Rome say that speculation about a link with the new "super-regional bank" being created in central Italy is premature.

The Rome Cassa, which is already buying out the 49 per cent stake it does not already own in Banco di Santo Spirito, another former IRI-owned bank, will have 65 per cent of the new holding company while IRI will take a 35 per cent stake. The two will share management control.

The new institution combining Banco di Roma, the Rome Cassa and Banco di Santo Spirito will form the biggest bank in Italy, with over 800 branches and a 6 per cent share of the domestic market.

Bringing together BCI and Credito Italiano, both based in Milan, would form a powerful north Italian counterweight to the new institution now planned for central Italy.

Both banks declined to comment on IRI's plans.

Examiner warns Goodman creditors

By Kieran Cooke in Dublin.

CREDITORS of Goodman International, Europe's largest beef processor, were warned yesterday they must co-operate in preserving the core of the Irish company or they would suffer large losses from its liquidation.

Mr Peter Fitzpatrick, the Examiner called in in August to investigate the company's affairs, outlined "the stark choices" facing the 33 banks owed an estimated I£470m ($827m) plus an additional I£180m in various bank guarantees by Goodman.

If its meat operations did not survive, liquidation of Goodman would give the banks "only 25p to 30p in the pound" he said in his report yesterday on Goodman and 60 associated companies to the Irish High Court.

"My principal recommendation to the High Court is that the Group's core business is viable and can be rescued," said Mr Fitzpatrick. Preliminary discussions with some banking creditors had shown that the chances of a rescue plan for the group were "reasonably good."

Mr Fitzpatrick's plan centres on satisfying 50 per cent of the outstanding group debt of I£470m by the sale of assets – including a 13 per cent stake in the Berisford, the UK commodities conglomerate, privately held by Mr Larry Goodman, head of Goodman International – and converting an element of bank debt into term loans, to be secured against group assets.

The remaining I£235m of debt would be covered either by payment of a debt owed by Iraq to Goodman International of I£167.7m or by the successful outcome of court proceedings taken by Goodman International against the Irish government.

The court action relates to an Irish government decision late last year to withdraw government insurance covering Goodman exports to Iraq following the discovery of what the authorities described as certain "statistical discrepancies."

Mr Fitzpatrick said that proposals to be made to creditor banks in relation to the Iraqi debt would include the possible conversion of bank loans equivalent to the amount of the debt into a form of share capital, capable of being redeemed if the debt is repaid, or converted into ordinary equity if not. Mr Fitzpatrick said if there was no agreement on how to deal with the Iraqi debt or if the Goodman International court action against the government failed, then the company could not survive. He said he expected Mr Goodman to play a significant role in the future of Goodman International.

INTERNATIONAL COMPANIES AND FINANCE

Brierley gains control of large UK hotels group

By Andrew Bolger in London

CONTROL of Mount Charlotte Investments, Britain's second biggest hotels group, has fallen into the lap of Brierley Investments (BIL), the New Zealand company founded by the entrepreneur Sir Ron Brierley.

BIL said yesterday it had received acceptances representing 52.5 per cent of the shares in Mount Charlotte for its cash offer of 73p a share, which valued the hotels group at £644m ($1.25bn). Mount Charlotte shares closed 6p higher at 72p.

In a fittingly understated climax to what has been a low-key bid, BIL last night appeared uninterested in encouraging more shareholders to accept its offer, which it has declared unconditional. Mr Paul Collins, BIL's chief executive, said: "We always said this bid was opportunistic. Clearly, this price does not fully represent the asset value."

Mr Robert Peel, Mount Charlotte's chief executive, said the BIL offer represented a 40 per cent discount to his group's net asset value of 122p a share.

Most interest will now centre on whether, and on what terms, Mr Peel and his executives will continue to run the group, as BIL has always said it wanted them to do. The Mount Charlotte board will issue a statement today.

Mr Collins said last night: "Its absolutely business as usual as far as we are concerned. Robert is an integral part of the team."

BIL launched its bid last month after acquiring a 10.1 per cent stake in Mount Charlotte from the Kuwait Investment Office. Since the New Zealand group already had 28.2 per cent, the purchase obliged it to make an offer for the remaining shares.

Mr Collins said at the start he would be happy with anything between 40 per cent and full control of Mount Charlotte which, with nearly 14,000 rooms in the UK, is second only to Trusthouse Forte.

Concern about delays in asset disposals forced Mount Charlotte's shares down to 57p before the bid was launched.

See Lex

UBF plans closer insurance link

By Enrique Tessieri in Helsinki

UNION Bank of Finland (UBF), one of the country's two biggest commercial banks, is considering a plan for a new organisation which could forge closer links with insurance companies.

Under Finnish legislation, an insurance company can only own 20 per cent of a Finnish bank, while a bank can only own 10 per cent of an insurance company. By forming a new parent company, which would be a financial services group, UBF and insurance companies could bypass these ownership restrictions.

Mr Ahti Hirvonen, president, said the new financial services group would be called Unitas, presently a brokerage company owned by UBF. It could merge with Finanssilaitos, a holding company through which UBF and Sampo, an insurance company, hold shares within Finnish industry.

The move to merge with Finanssilaitos suggests the holding company is in financial difficulties, due to the sinking value of its share portfolio.

The restructuring announcement by UBF follows a similar move by Kansallis-Osake-Pankki, a UBF rival commercial bank, a few months ago.

UBF also announced that as of January 1, 1991, the bank would be divided into two. Domestic banking would be handled by Yhdyspankki, and its international operations by Union Bank of Finland International.

Finnish banks are presently going through a shake-up to slash overheads while enhancing profitability in the face of stiffening outside competition.

Anglo American sets up fund in Israel

By Philip Gawith in Johannesburg

ANGLO American Corporation and associates have established a venture capital fund aimed at identifying and developing Israeli technology.

The fund, AATKS Ventures, is Anglo's first investment in Israel. It will provide a vehicle by which technology can be brought into South Africa. AATKS will fund technology-based companies in Israel and help them penetrate European markets.

Mr Julian Ogilvie Thompson, Anglo American chairman, said: "That this country has a limited base of technology is well known. If we are to make significant strides in the industrial spheres, then we have to have access to foreign technology markets. AATKS affords us that opportunity."

Mr Gideon Tolkowsky, a director of the management company of AATKS, said: "Investment in Israeli-related enterprises by international industrial groups can be extremely beneficial both to the industrial investor, who can expect access to new technologies as well as financial return, and to technology-based Israeli companies who often have few financing alternatives open to them."

The new investment will be monitored by the corporation's technology and industrial development unit with the aim of identifying new business in manufacturing.

Mr Ogilvie Thompson said developing industrial businesses from grass roots remained an important part of Anglo's plans. "For this reason, we need to keep abreast of the latest technological advances. The size of our group enables us to invest in what is a high-risk venture."

FN confirms Giat offer for bulk of its assets

By Lucy Kellaway in Brussels

FABRIQUE Nationale Herstal, the almost bankrupt Belgian arms maker, yesterday confirmed that it had received a partial offer from a French arms company for most of its industrial assets.

In order to consider the offer, made by Groupement Industriel des Armements Terrestres (Giat), FN's shareholders yesterday voted to give themselves another month to resolve how best to solve the company's growing difficulties.

The deadline for agreement was meant to be yesterday, and had already been extended once because of the difficulty in meeting all the conditions of a complicated rescue package. However, it is generally accepted that if no final agreement is reached by the end of the month, there may be no alternative than to liquidate the company.

The terms of the offer from Giat – which was known as a possible suitor for months – were not disclosed yesterday, but were thought to be broadly compatible with the terms of the rescue plan.

One condition of this plan is that FN finds an industrial partner to run the bulk of its activities. The rest of the deal hinges on the company being able to raise some BFr13bn ($416m) from banks and shareholders, and on reaching a deal with its trade unions.

As the negotiations have dragged out, the 2,500 workers at the Liège factory have become increasingly restive, and on Friday occupied the plant in response to rumours that Société Générale de Belgique, the largest shareholder, was prepared to put the company into liquidation. La Générale has repeatedly said no decisions had yet been made.

Mr Joseph Lebye, FN managing director, said sales at FN, which specialises in light civilian and military arms and munitions, had received a boost from the Gulf crisis. "Events in the Gulf have helped," he said. He declined to reveal the value of new orders generated by the Gulf crisis, however, AP-DJ adds.

Top Spanish banks' profits reflect costs of deposit war

By Tom Burns in Madrid

SPAIN'S top banks, long-used to posting big rises in pre-tax profits, are reporting somewhat chastened figures, reflecting the costs of a deposit war and loan restrictions ordered by the government as part of its economic austerity programme.

Banco Central, Spain's second-ranked bank in terms of deposits, has raised pre-tax profits in the first nine months of this year by 16.9 per cent to Pta70.7bn ($744.2m). The figure was down on previous years but in keeping with the figures other leading banks have reported recently.

Central was, together with the smaller Banco Popular, the only one of Spain's main financial institutions which refrained from the expensive deposit war that in the past year has lead other Spanish banks to offer interest rates as high as 14.5 per cent to lure new account holders.

Popular posted profits of Pta31.6bn at end-September, an 18.2 per cent increase on its third-quarter results in 1989.

Banco Santander, which initiated the deposit campaign, forcing most of the main banks to follow its initiative, reported Pta53.9bn profit for the third quarter, representing a 15.4 per cent increase on 1989.

Banco Bilbao Vizcaya, Spain's largest bank, reported third-quarter profits of Pta108bn, a 10.3 per cent rise.

One of Santander's main rivals in the battle to offer better returns for current account holders, BBV blamed the increased cost of deposits for its comparatively disappointing results.

Third-quarter results last year among the top Spanish banks revealed, as they had done in previous years, profit increases in the 20-30 per cent range.

TNT leaps 48% on revenue rise

By Bruce Jacques in Sydney

TNT, the Sydney-based international transport group, has shaken off the effects of last year's prolonged Australian pilots' dispute and has begun the new financial year strongly.

The company has declared a 48 per cent surge in operating profits to A$22.3m (US$17.5m) from A$15.0m for the quarter to end-September on a 7 per cent rise in revenue to A$1.15bn from A$1.07bn. The interim dividend is unchanged at 3.75 cents a share.

The result excluded abnormal profits, mainly currency changes, of A$22.5m against losses of A$2.2m previously, partially offset by losses of A$10.8m transferred to the foreign currency translation reserve compared with gains of A$10.8m previously.

Mr F. W. Millar, chairman, detailed the first-quarter figures at yesterday's annual meeting where he warned that the outlook for the year had been clouded by the Gulf crisis.

He said TNT was well-placed to expand, despite a likely slowing in the world economy because of its presence in Europe and the Americas.

"Australia, however, may not be so fortunate," he said. "The tight monetary policy implemented by the Australian government. . . has slowed business activity significantly.

"Despite that slowing, progress in freeing up the labour market, in bringing about improvements in industrial relations, in significantly reducing inflation, and in other areas of micro-economic reform has been far less than is required to put this country on the road to real progress.

"This current year will be difficult, but we would expect to achieve aggregate results more or less compatible to those of last year."

Concept forecasts loss of FFr500m

By William Dawkins in Paris

CONCEPT, France's third largest software group, yesterday warned that it expects to lose FFr500m ($98.6m) this year, a far worse than expected swing from the FFr149.5m net profit it reported in 1989.

This is the latest in a series of setbacks for French high-technology companies and is mainly due to the rising costs of debts which Concept built up to make a series of ambitious acquisitions, including CCMC, a software group Concept took over two years ago.

Concept has also been hit by the costs of reducing staff numbers in response to its earnings setback.

Concept's shares were suspended last week when the COB, the Paris stock exchange watchdog, heard of the seriousness of the group's position. Trading is expected to resume once the board has voted on a FFr300m capital increase called for by Altus, the banking and investment group which owns 19.5 per cent of the group's shares.

Mr Olivier Spire, Concept group chairman, believes there is no need for what would be the second big capital increase in a year. The group should return to profitability next year, he said. But he warned: "We cannot completely judge the impact of the current situation, which could make life difficult in the next few months."

The group will face FFr100m of restructuring costs this year, mainly for the loss of 190 jobs at CCMC, plus FFr75m of financial charges. Sales are expected to fall slightly from FFr2.3bn in 1989 to around FFr2bn, said Mr Spire.

Concept also revealed yesterday a first-half loss of FFr181m on turnover of FFr1.4bn, far worse than the FFr40m six monthly loss it had estimated in early September.

Friderichs appointed to board of Adidas

By Andrew Fisher in Frankfurt

MR HANS Friderichs, the former West German Economics Minister, is to become the new supervisory board chairman of Adidas, the German sports equipment company which has been bought by Mr Bernard Tapie, the French financier.

Mr Friderichs recently resigned as the supervisory board chairman of Co op because he disagreed with the policy of selling parts of the troubled retail group rather than keeping it intact.

After losing DM130m ($88m) last year, Adidas should break even this year and return to profit in 1991, Mr Tapie said last week. Adidas has suffered, in common with other sports shoe concerns, from tough competition in the industry.

Mr Tapie, who now has an 80 per cent stake in the German company, will not take a seat on the supervisory board. Having paid DM440m for the shares, he will inject a further DM300m into the company through a capital increase.

The chief executive of Adidas, Mr Rene Jäggi, has said it should achieve a turnover of DM5bn in 1992. Last year, total turnover, including licensing revenues, rose by 7 per cent to DM4.6bn. This included DM3.2bn, a slight rise on the previous year, from Adidas's activities, including goods under the Pony label.

● DG Bank, the German co-operative bank, said it was talking to several interested parties about the sale of all of its 67.5 per cent stake in Co op, Reuter reports. It added all bidders were interested in DG's full stake.

DG expected no objections from the German cartel office to any of the bidders. The anti-trust authority said no bids had been submitted for his office to scrutinise.

Share analysts said the main attraction of a stake in Co op is the DM2bn total loss over the past three years. Under German law shareholders can deduct past losses of consolidated firms. Co op expects 1990's operating loss to be DM150m after a DM250m loss in 1989.

INTERNATIONAL COMPANIES AND FINANCE

Settlement near in Canadian steel strike

By Robert Gibbens in Montreal

A STRIKE that has shut down nearly half of Canada's primary steelmaking capacity for three months is close to being resolved. However, lay-offs and early retirements may follow as recession bites into North American steel demand.

Stelco, the second biggest producer, has signed a tentative agreement covering 6,000 workers at its main Hamilton plant near Toronto. The pattern will apply to Stelco's other plants in eastern Canada.

If the terms are ratified, as strongly recommended by leaders of the United Steelworkers' union, the deal should also lead to peace at Algoma Steel, a subsidiary of Dofasco, the biggest producer. Dofasco is not unionised.

The Stelco deal includes a basic annual 6 per cent to 7 per cent pay increase, including indexation, over three years, pension indexing, limits to contracting out and productivity incentives. But Stelco has not given any total employment commitment.

● Placer Dome has reached a tentative deal with the United Steelworkers to end a six-month long strike at its big Dome gold mine in northern Ontario.

General Cinema in $240m Neiman-Marcus offer

By Nikki Tait in New York

GENERAL CINEMA, which recently sold its share stake in Cadbury-Schweppes of the UK, yesterday announced a $240m offer to buy out other shareholders in Neiman-Marcus, the US department store group.

The General Cinema offer is worth $14.40 cents per Neiman-Marcus share, and the company share price responded by jumping $3¾ to $14⅝ in early New York trading.

Neiman-Marcus, which takes in more than 20 department stores under its own name, as well as the Bergdorf Goodman outlet in New York, and a chain of Contempo Casuals fashion stores, was spun-off by Carter Hawley Hale in 1987, with General Cinema coming in as a major shareholder.

At present, out of the 32.7m Neiman-Marcus shares in issue, General Cinema owns 16.3m with the general public holding 16.4m.

However, General Cinema also holds a tranche of convertible preferred stock in Neiman-Marcus, which – if converted – would take its total equity interest to about 60 per cent.

The merger deal has been approved by both companies. General Cinema has more than $1.5bn of cash in hand, following the sale of its soft drinks bottling operation in March 1989 and the placing of its Cadbury stake.

However, the deal will still leave General Cinema with cash resources of $1.3bn, which it says will be deployed "to purchase at least one additional major operating business." This, it says, is likely to be outside the speciality retailing field.

General Cinema is known to have been looking for potential acquisitions for some time and expressed interest in Saks Fifth Avenue, when the US store group was put up for sale by BAT Industries of the UK.

Some analysts predict that General Cinema, with a fondness for counter-cyclical investments, will aim towards low technology consumer industries.

Mr Hugh Zurkhulen, analyst at Salomon Brothers, estimated the terms to be worth 6.8 times projected cash flow in fiscal 1991.

Du Pont and Teijin in joint venture

By Karen Zagor in New York

DU PONT, the biggest US chemicals company, said yesterday it would form a joint venture with Teijin of Japan to make and sell polyester film for audio and video uses.

The venture will focus on Europe, the US and other markets, excluding Japan. Both companies will have an equal stake. Du Pont says it is the first joint venture involving polyester film between a US and Japanese company.

Production will initially be from Du Pont's Luxembourg factory and a second facility, which should be fully operational by late 1992, will be built in the US. The companies are expected to invest about $200m in the venture by the end of 1992, and it is expected to have worldwide sales of more than $130m next year.

The companies will develop polyethylene naphthalte (PEN) high-temperature film for a number of applications, including motors and capacitors, and will sell the film for audio and video tape uses.

ends

Boeing soars 56% as sales volume rises to $7.18bn

By Martin Dickson in New York

BOEING, the world's largest commercial aircraft manufacturer, has announced a 56 per cent leap in third-quarter earnings, due mainly to higher sales volume and better operating margins on commercial aircraft.

The company also announced formal board approval for the manufacture of its new wide-bodied, twin-engine aircraft, the 777. United Airlines of the US placed the first order for the new jet, worth $22bn, earlier this month.

In the third quarter the company produced earnings of $378m, or $1.10 a share, compared with $242m, or 70 cents a share in the same period last year. Sales rose from $6.36bn to $7.18bn.

In the first nine months earnings totalled $1.07bn, or $3.09 a share, against $896m, or $2.59 a share in the same period last year. The 1989 figures incorporated an accounting change.

The company said that based on current programmes and schedules, 1990 sales were projected to be in the $27.5bn region.

Commercial jet transport sales in the fourth quarter would be somewhat below the previous two quarters due to fewer deliveries and the model mix of the deliveries.

During the third quarter 13 customers placed orders for 83 commercial jets and 10 Dash 8 commuter aircraft valued at $9.1bn. That compared with orders for 134 jets and 22 commuter aircraft, worth $5.6bn, in the same period last year.

Boeing's firm backlog of unfilled orders was worth $86.3bn at September 30, compared with $80.6bn at the end of 1989.

Mr Frank Shrontz, Boeing's chairman, said losses on Boeing's defence and space businesses would be substantial this year, but they were expected to be lower than last year.

Operating results should improve in 1991 and subsequent years, following the consolidation of the two businesses and progress on cost and scheduling problems with government contracts.

Oil producers try to clean up their public image

Alan Friedman on attempts to restore customers' confidence following recent jumps in petrol prices

US oil companies, sensitive to charges of profiteering, are falling over themselves to persuade the American public that they are not unjustifiably raising petrol prices on the back of the large rise in crude oil prices since Iraq's invasion of Kuwait.

The industry's image has been going steadily downhill since the Exxon Valdez oil spill disaster in Alaska last year. But its protestations have been borne out by its latest figures.

The third-quarter profit and loss accounts of 18 leading US petroleum companies show that total operating income (net profits from continuing operations before non-recurring charges) was little changed year-on-year.

Companies such as Mobil, Chevron and Shell – respectively the second, fourth and sixth biggest US companies – each suffered a drop in third-quarter income, due to their inability to pass increasing costs of crude oil on to the consumers of refined products.

However, US petrol and home heating prices have been rising when demand for premium petrol is declining. And a 5 cent excise tax per gallon of petrol will come into effect on December 1 as part of the package to cut the US budget deficit. So the oil industry is touchy about the impact of the Gulf crisis on consumers.

Mr Frank Richardson, president of Shell, the US arm of the Royal Dutch/Shell group, last week said that Shell's petrol refining and marketing division lost $64m in the two months after the invasion.

Today, Texaco launches a multi-million dollar education campaign on energy conservation "to benefit the nation and the individual consumer in today's energy environment".

Yesterday, Mr Charles DiBona, president of the American Petroleum Institute (API), the industry's main lobbying arm in Washington, pounded home the message that the companies "have acted with restraint in the pricing of gasoline".

Mr DiBona was deployed in the Rockefeller Centre, with coffee, muffins and statistical charts, to defend the industry.

Mr DiBona said the spread between crude oil costs and what American consumers paid for petrol during the third quarter was one of the lowest in decades. He also argued that average US petrol prices rose by 27 cents per gallon between July 30 and October 15, compared with 71 cents a gallon in Japan and between 46 and 58 cents in western Europe.

The API president denied vociferously the claim that US petrol prices rose instantaneously as crude prices jumped, saying that petrol prices had so far risen by only 60 per cent of the increase in crude costs.

Mr DiBona found it more difficult to explain the jump in home heating oil prices, which have risen by 90 per cent of the price jump in crude oil. Mr Philip Dodge, an oil analyst at Nomura Research in New York, did not find it so hard. He said the industry found it easier to push up prices of fuel oil than those of petrol because winter was coming on and consumers in much of the US could not alter their consumption of heating oil.

Mr DiBona would not be drawn on the subject of how quickly the latest jump in crude costs would be passed on to consumers. Wall Street analysts say this is likely during the fourth quarter of 1990 and the first quarter of next year. The only thing everyone seems to agree on is that if there is a shooting war in the Gulf the current round of statistical debates will be moot.

Alexander & Alexander at $12m in third quarter

By Nikki Tait in New York

ALEXANDER & Alexander, the world's second largest insurance broker, yesterday reported after-tax profits of $12m in the third quarter, to the end of September.

The figure compares with $9.1m in the corresponding period of 1989.

For the first nine months, A&A now shows a profit of $34.9m at the post-tax level, or 86 cents per share. This is significantly below the $46.4m, or $1.15, seen at the same stage a year earlier.

However, A&A points out that the 1989 figures were boosted by 34 cents per share from property sale gains and the settlement of certain pension obligations.

Operating revenues rose from $298m to $336.6m in the third quarter, while operating income – after a 7 per cent increase in expenses – increased to $24.6m ($14.4m).

The company attributed much of the third-quarter advance to new reinsurance and consulting business, plus higher investment income.

It also said that foreign exchange rate movements proved helpful.

● Toys 'R' Us Japan plans to open a 3,300 sq m store in Osaka in Japan in November next year, in spite of opposition from local toy retailers, Reuter reports. The outlet aims at annual sales of Y2bn.

Toys 'R' Us Japan, 80 per cent-owned by Toys 'R' Us of the US and 20 per cent by the local unit of McDonald's, plans to open about 100 stores in Japan over the next 10 years.

Bain & Co to shed 213 staff due to downturn

By Alan Friedman in New York

THE WEAKNESS of the US economy has forced Bain & Co, the Boston-based management consultancy firm, to let go 213 professional staff, a reduction amounting to 17.4 per cent of its total workforce of 1,220.

The management consultancy also said that the ownership of 70 per cent of the company will be transferred from a group of eight original owners including Mr William Bain, the chairman and founder, to a broader group of 70 executives.

Mr Bain declined to disclose financial terms of the transaction other than to confirm that it does represent a share sale. He described the deal as the equivalent of admitting new partners to a law firm, but said he would still retain a personal minority stake in the company.

Bain would not say whether it is making profits or losses.

Digital buys Data Logic's systems integration business

By Clare Pearson

DIGITAL Equipment, the US computer manufacturer, is buying the financial systems integration business of Data Logic, one of the UK subsidiaries of Raytheon, the US electronics company, for an undisclosed sum.

Data Logic's division employs more than 100 people mainly in the UK although its systems are used in about 30 banks across Europe. Digital is taking over all employees, support of already installed systems and existing customer contracts.

The deal comes in the wake of a big downturn in investment in trading systems over the past few years.

Digital has a bigger international presence than Data Logic in the markets for such systems, operating in about 150 financial centres worldwide.

In employee terms, the division accounted for about 20 per cent of the total staff of Data Logic, which achieved turnover of about £38m last year.

Data Logic's remaining businesses include consultancy, executive information systems and defence and security systems.

NEWS IN BRIEF

Japan airline lifts profits 39%

NEW AIR routes and an increase in flight frequency helped lift earnings for All Nippon Airways (ANA), the Japanese carrier, in the six months to September 30, writes Martina Gannon in Tokyo.

Pre-tax profits rose 39 per cent to Y27.2bn and revenue increased 9.5 per cent to Y379bn ($3bn), compared with the year-ago period. However, the company's estimate for pre-tax profit for the year to March 31 is 11 per cent down on fiscal 1989, to Y28bn, due to concern over increasing fuel costs and higher interest rates.

■ JARDINE Matheson Holdings, the Hong Kong-based and Bermuda-domiciled property-to-retailing group, last night announced that dealing in its shares on the Australian Stock Exchange was expected to begin tomorrow, writes John Elliott in Hong Kong. This follows the shares being admitted to the official list of the exchange. The move is part of the group's plan to broaden its corporate base outside Hong Kong in advance of the colony's return to Chinese sovereignty in 1997.

■ Enron Power Corp, the US company, reported a 48 per cent jump in third-quarter revenues to $3.14bn from $2.12bn in the year-ago period, but little change in net profits, $14m against $13.4m. Earnings per share were 15 cents against 14 cents.

INTERNATIONAL COMPANIES AND FINANCE

Hunter finds challenge in fast-moving deals

John Thornhill and Terry Hall on the significance of Hugh Fletcher's latest acquisition

In his spare time Mr Hugh Fletcher, the chief executive of Fletcher Challenge, New Zealand's largest company, hunts hares. There are no foxes in his native country.

Last week Mr Fletcher proved he also enjoys chasing fast-moving business prey as he sealed a deal with British Petroleum to buy its New Zealand gas production interests for NZ$360m (US$222m).

With one blow, the move confirmed Fletcher Challenge's dominance of New Zealand's oil and gas sector. It also bolstered its position as the country's biggest business, accounting for almost a quarter of the stock market's capitalisation, and added to Mr Fletcher's considerable reputation as a deal-maker.

The move is further evidence of the drastic reshaping at FCL in the last decade. The company, whose activities were previously confined to New Zealand by the country's capital laws, was a "fairly introverted and product diverse" business at the beginning of the decade, according to Mr Fletcher.

Since the capital laws were changed, however, FCL has expanded heavily overseas, developing a range of pulp and paper, energy, and construction businesses in North and South America and Europe.

FCL is perhaps best known in Europe for snatching control of UK Paper from the clutches of Metsä-Serla, the Finnish forest products company, in a £299m ($584m) takeover at the start of this year.

"There is the Hannibal instinct to go over the next mountain range. I have no problems in admitting that there is a bit of that. Companies must have cultures and should be black and white and we have a growth-oriented culture," Mr Fletcher says.

The 1980s also saw a whittling down of FCL's product diversification and selective expansion within its few chosen fields. "We divested a lot of small entrepreneurial businesses and went for the heavy industrial end of things," Mr Fletcher says.

FCL was barely involved in the energy industry until two years ago when it fought a bruising behind-the-scenes battle with British Gas to buy the former state-owned enterprise Petrocorp.

FCL now acknowledges that it bought the government's interests in 1988 at a knock-down price and in the face of steadily firming international prices.

In September it reported that its earnings from its energy sector would be NZ$100m higher thanks to higher spot prices than in 1989. Total earnings from its energy interests, in New Zealand and Canada, contributed NZ$157.1m to the group's net profit of NZ$662.4m in the June 30 year. This contribution will be sharply higher this year.

Its luck in buying government assets continued. In June, the government paid FCL NZ$203m to take the synfuels – *gas to oil conversion* – plant off its hands. This had cost the previous national government NZ$2.1b to build. In August, Japan's Mitsubishi Oil announced it wanted to buy 25,000 tonnes of synthetic gasolene from the plant.

Establishing its dominance in the sector has been costly, and is causing concern among New Zealand's consumers. FCL spent NZ$521m buying the government's 70 per cent holding in Petrocorp, and bought out remaining shareholders at 175 cents a share. It is paying BP NZ$290m for its 18.75 percent stake in Maui, the NZ gas field, lifting its interest to 68.75 per cent.

Under the complex swap arrangement to acquire synfuels in June, FCL ended up spending NZ$41m to assure itself of gas supplies until 2009 after absorbing the synfuels plant. Its subsidiary Petrocorp bought the Crown's 75 per cent interest in the New Zealand Synthetic Fuels Corporation, which greatly facilitates the use of gas at Petrocorp's methanol plant.

Both BP and FCL have played down the timing of the purchase of the Maui interest, which was negotiated three months ago, before the Gulf crisis and at a time of lower oil prices. BP said it was withdrawing to focus on strategic areas, such as "the larger shots of Vietnam and off the Mexican coast", and because of a policy to sell out of mature fields if it could get value. Maui supplies the equivalent of 30m barrels of oil a year, more than half of New Zealand's demand. It is expected to keep producing for more than 30 years.

The extra stake in Maui will give FCL an extra 93m barrels, or a total of 450m barrels of reserves. BP is also selling its 37.5 per cent share in the Kapuni field in Taranaki to FCL for US$70m, but this is to be sold on to the two other companies involved in the field, Shell and the New Zealand-owned Todd Petroleum.

BP is to pay its share in the development cost of the Maui B platform, which was part of the NZ$1bn project to recover the remaining reserves in the field.

BP has spent many millions in exploration in New Zealand over the past 25 years, in association with Todd and Shell, and was a founding member of the highly successful consortium. Its decision to end its interests in New Zealand's exploration and production was greeted with considerable surprise by the industry.

The Maui field was discovered in 1969, and production from the Maui A platform began 10 years later. The platform accommodates 14 production wells and preliminary gas condensate separation facilities.

In London last month before the BP deal was announced, Mr Fletcher said that New Zealand was again becoming an attractive area for investment, particularly in the energy and utilities sectors.

"The one area where we have sustained competitive advantage is in NZ and we should be able to extract value in that," he says. "A good local company will beat a foreigner every day of the week. We *have an advantage in NZ and a* disadvantage everywhere else."


Trevor Humphries
Hugh Fletcher: "A good local company will beat a foreigner"

Adsteam shares plunge on news of liquidity troubles

By Bruce Jacques in Sydney

ADELAIDE Steamship Company, the Australian conglomerate led by Mr John Spalvins, was plunged into a fresh crisis yesterday amid revelations of inter-group loans in the complex empire.

Adsteam shares fell 46 cents to a seven-year low of A$1.30, before recovering to A$1.35 after Howard Smith, a group associate, detailed A$60m (US$47.2m) in short-term unsecured loans to group companies.

The loans confirmed market views of liquidity problems within the Adsteam group, which controls other large listed companies including David Jones, Petersville Sleigh and National Consolidated.

Liquidity concerns surfaced earlier this year when Howard Smith proposed a A$500m deal to take over National Consolidated. This would have injected much needed cash into several Spalvins group companies. Howard Smith remains flush with about A$200m in cash following its sale this year of the bulk of its controlling shareholding in the leading mining group, Coal and Allied Industries.

The National Consolidated deal was then abandoned in favour of a special A$1-a-share dividend payment which angered institutions because of its tax implications. Smith has now reverted to a more tax-friendly capital return proposal.

Yesterday's Adsteam price fall, which means 35 per cent has been wiped off the company's value this week, prompted a query to Mr Spalvins from the Australian Stock Exchange.

It also coincided with the release of the company's 1990 annual report, in which Mr Spalvins has promised a "substantial degearing" of the company.

Profits dive at Japan paper makers

By Martine Gannon in Tokyo

A FLAT Japanese paper market and rising costs of materials, particularly oil, caused the country's pulp and paper manufacturers to produce gloomy interim results. Only those companies specialising in paperboard saw sales climb.

Pre-tax profits at Oji Paper, the leading maker with a 9.5 per cent market share, dropped 33.8 per cent to Y15.3bn ($119m) in the six-month term to September 30, compared with the same period last year. Sales in the first half totalled Y238.4bn, a marginal 2.7 per cent rise, as the increase in sales volume was offset by lower prices.

Oji, a Mitsui group member, blamed the fall on increased personnel costs, a deficit in financial items due to higher interest rates, and the general slump in the paper market. It predicts a further fall of 31.3 per cent in pre-tax profits for the full year to March 1991 to Y28bn, and a drop in sales from Y486bn to Y468bn in the same period. All leading paper companies also expect profits to drop lower in the full year term.

Both Oji and Jujo Paper, the third largest manufacturer which suffered drops of almost 50 per cent in both pre-tax and net profits in the six-month period, have started negotiating with wholesalers for price rises of 8 to 10 per cent, claiming increases made last spring were not large enough to absorb higher production costs.

● Hitachi Metals, a leading Japanese producer of high-quality steel, has posted unconsolidated pre-tax profits of Y11.02bn in the first half to the end of September, up 18.1 per cent from Y9.33bn a year earlier, AP-DJ reports.

Sales increased by 13.2 per cent to Y173.69bn from Y154.87bn, driving operating profit up by 28.7 per cent to Y11.55bn from Y9.06bn.

Net income jumped 18.3 per cent to Y6.31bn, compared with Y5.33bn a year earlier.

JAPANESE PAPER COMPANY RESULTS
Half year to September 1990

Company profit	Revenue Ybn	Revenue % change	Pre-tax profit Ybn	Pre-tax profit % change	Net Ybn	Net % change
Oji Paper	Y238.4m	+2.7	Y15.3m	-34	Y9.9m	-20.3
Jujo Paper	Y200.8m	+2.8	Y8.5m	-49	Y3.6m	-49
Honshu Paper	Y201.0m	+4.5	Y2m	-46	Y2m	-20
Kanzaki Paper Mfg.	Y77.8m	-8.4	Y2m	-55	Y3.6m	+49
Mitsubishi Paper Mills	Y100.9m	+0.8	Y6.2m	-46	Y2.7m	-41

INTERNATIONAL CAPITAL MARKETS

Treasuries rise on auction demand and lower oil price

By Karen Zagor in New York, Simon London in London and John Burton in Stockholm

US Treasuries erased their modest morning losses to end the day on a brighter note, reacting to good demand at the two-year note auction and an afternoon decline in oil prices.

The treasury's bellwether 30-year bond was up ⅛ point at 99⅞, yielding 8.81 per cent after falling more than ⅛ point earlier in the day.

Shorter-dated maturities were ⅛ higher.

The Federal Reserve, which indicated an easing in monetary policy on Monday by arranging $1bn in customer repurchase agreements, did not operate in the open market yesterday when Fed funds were trading at 7¾ per cent. Since this is now believed to be the Fed's target for the key rate, the Treasury's lack of intervention was seen as further evidence on an easing.

The bond market's morning retreat followed the release of third-quarter gross national product data, which indicated that the economy is stronger than expected.

Inflation-adjusted GNP rose at an annual rate of 1.8 per cent in the three months. Economists had expected a growth rate of about 0.9 per cent.

The bond market had been hoping for further signs of recession to prompt the Federal Reserve to loosen monetary policy further after the Federal Open Market Committee meeting on November 13. Instead, the GNP figures may encourage the Fed not to change its policy stance.

Rising oil prices also helped subdue yesterday morning's bond market. But bond prices moved higher in the afternoon as the December contract started to slip, closing down 14 cents a barrel to $34.54. In addition, the market received support from a better-than-expected auction of two-year bills, which received an average yield of 7.84 per cent.

■UK GOVERNMENT bonds rose on the CBI's quarterly survey of industry, although the rally was blunted by several factors in the survey results which are seen as negative for gilts in the longer term.

The benchmark gilt maturing 2003/2007 was up ⅛ at one stage, but closed just ⅛ higher on the day at 102⅛ for a yield of 11.41 per cent. At the five year maturity, gilt prices performed better, however, closing up around ⅜ on the day.

The overall tone of the CBI survey suggested that demand-driven inflationary pressures in the economy are receding, with business confidence at a 10-year low.

However, other results of the survey show that export orders have fallen sharply, which is negative for the UK balance of payments.

The survey also suggests that rises in unit labour and raw material costs will be passed through into prices, maintaining cost-driven inflationary pressures in the economy.

Gilt prices were buoyed by the strength of sterling on the foreign exchange markets. Against a background of higher oil prices and increased tension in the Gulf crisis, sterling was trading in London at DM2.958 in late afternoon.

■JAPANESE government bonds closed slightly higher in overnight trading in Tokyo, even against the background of a further weakening of the yen.

The benchmark No 119 issue closed the session on a yield of 7.735 per cent, down from an opening level of 7.77 per cent.

Market sentiment was buoyed by the fact that the US dollar failed to breach the Y130 level. The dollar was trading at around Y128.90 in late trading in London yesterday.

Employment data for September showed unemployment running at an annual rate of 2.2 per cent, from 2.1 per cent in August. This suggests that the labour market has loosened marginally and that inflationary pressures in the economy may be declining.

There was little reaction to US third-quarter gross national product figures, which showed an unexpectedly strong 1.8 per cent increase in GNP. Economists suggested that official US figures were often subject to downward revision. More attention may be focused on tomorrow's US NAPM survey and US labour market figures on Friday.

■GERMAN government bond prices were stable in light trading, with little buying interest in the market. The benchmark 8½ per cent 10-year bund closing on a yield of 9 per cent, against 8.99 per cent on Monday.

In the futures market, the key December bund contract traded in a range from 81.80 to 81.91, and closed at 81.86.

■SWEDEN'S bond market had a mixed reaction to the decision by the central bank to lower its marker rates from 17 per cent to 16 per cent. Although six-month Treasury bill yields fell 25 base points in an initial reaction, they finished the day only 3 base points lower at 15.25 per cent in active trading. Yields on five-year government bonds held steady at 13.73 per cent.

Traders said the move by the central bank had been widely discounted by the market as a result of last week's economic austerity package. Investors were also believed to be cashing in on profits they have made on the earlier higher interest rates.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-06	+09/32	11.56	11.85	12.61
		9.000	[illegible]	86-21	+11/32	11.34	11.39	11.82
		9.000	10/08	85-00	+08/32	10.91	10.94	11.19
US TREASURY *		8.750	08/00	100-07	-04/32	8.71	8.66	8.63
		8.750	08/20	98-30	-04/32	8.85	8.79	8.98
JAPAN	No 119	4.800	06/99	84.6862	-0.129	7.76	7.74	8.67
	No 129	6.400	03/00	94.0422	-0.103	7.48	7.46	8.25
GERMANY		8.500	08/00	96.8000	-0.240	9.00	8.97	9.12
FRANCE	BTAN	9.000	11/95	95.3758	-0.107	10.21	10.14	10.44
	OAT	8.500	03/00	89.2000	-0.140	10.33	10.24	10.59
CANADA *		10.500	07/00	96.0000	-1.075	11.16	11.31	11.23
NETHERLANDS		9.000	10/00	98.9100	-0.050	9.17	9.18	9.31
AUSTRALIA		13.000	07/00	97.9678	-	13.37	13.34	13.63

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. — Closing prices on October 30

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[illegible]	[illegible]	[illegible]	9.01
ALBERTA PROVINCE 9 3/8 95	600	101	[illegible]	[illegible]	9.12
AUSTRIA 8 1/2 00	400	[illegible]	[illegible]	[illegible]	9.54
BANK OF TOKYO 8 3/8 96	100	[illegible]	[illegible]	[illegible]	9.48
BELGIUM 9 1/8 92	400	[illegible]	[illegible]	[illegible]	8.56
BFCE 7 3/4 97	150	[illegible]	[illegible]	[illegible]	9.30
BNP 8 5/8 94	300	[illegible]	[illegible]	[illegible]	9.09
BP CAPITAL 9 5/8 95	150	[illegible]	[illegible]	[illegible]	8.96
CANADA 9 96	1000	[illegible]	[illegible]	[illegible]	8.89
CARCO 9 1/4 96	650	97	[illegible]	[illegible]	9.94
CCCE 9 1/4 95	300	[illegible]	[illegible]	[illegible]	8.90
COUNCIL EUROPE 8 96	100	[illegible]	[illegible]	[illegible]	9.11
CREDIT FONCIER 9 1/2 99	300	[illegible]	100	[illegible]	9.53
DENMARK 0 98	250	[illegible]	50	[illegible]	9.40
DENMARK 8 1/4 94	150	[illegible]	[illegible]	[illegible]	9.00
ECSC 8 1/4 96	195	[illegible]	[illegible]	[illegible]	9.24
EEC 7 1/4 93	250	[illegible]	[illegible]	[illegible]	8.62
EIB 7 3/4 96	250	[illegible]	[illegible]	[illegible]	9.10
EIB 10 97	250	[illegible]	[illegible]	[illegible]	9.31
ELEC DE FRANCE 9 98	200	99	[illegible]	[illegible]	9.18
EUROFIMA 9 1/4 96	100	[illegible]	[illegible]	[illegible]	9.26
EXPORT DEV CORP 9 1/2 98	150	[illegible]	[illegible]	[illegible]	9.44
FINLAND 7 7/8 97	200	[illegible]	[illegible]	[illegible]	9.48
FINNISH EXPORT 9 3/8 95	200	[illegible]	[illegible]	[illegible]	9.18
FORD MOTOR CREDIT 9 1/2 93	300	[illegible]	[illegible]	[illegible]	9.40
GEN ELEC CAPITAL 9 3/8 96	300	[illegible]	[illegible]	[illegible]	9.32
GMAC 9 1/8 96	200	[illegible]	[illegible]	[illegible]	9.78
HALIFAX 9 1/2 93	200	[illegible]	[illegible]	[illegible]	9.07
IBM WORLD TRADE 7 5/8 93	150	96	[illegible]	[illegible]	9.18
IND BK JAPAN FIN 7 7/8 97	200	[illegible]	[illegible]	[illegible]	9.60
INTER AMER DEV 7 5/8 96	200	[illegible]	[illegible]	[illegible]	9.28
ITALY 8 1/2 94	1500	[illegible]	99	[illegible]	8.89
JAPAN DEV BK 8 94	150	[illegible]	[illegible]	[illegible]	8.86
KANSAI ELEC PWR 10 96	350	102	[illegible]	[illegible]	9.48
LTCB 8 5/8 93	150	99	[illegible]	[illegible]	9.07
NEW ZEALAND 8 93	100	[illegible]	[illegible]	[illegible]	8.91
NIPPON CRED BK 9 3/4 93	150	[illegible]	102	[illegible]	9.14
NIPPON TEL & TEL 9 3/8 95	200	101	[illegible]	[illegible]	9.06
NORDIC INV BANK 9 93	200	[illegible]	[illegible]	[illegible]	8.69
OLYMPIA & YORK 8 1/4 96	435	[illegible]	[illegible]	[illegible]	13.15
ONTARIO HYDRO 11 5/8 94	200	[illegible]	[illegible]	[illegible]	9.07
OSTER KONTROLLBANK 8 1/8 93	200	99	[illegible]	[illegible]	8.57
PRUDENTIAL RLTY SECS 0 99	366.216	[illegible]	[illegible]	[illegible]	10.00
QUEBEC HYDRO 9 3/4 98	150	[illegible]	[illegible]	[illegible]	9.77
QUEBEC PROV 9 98	200	[illegible]	[illegible]	[illegible]	9.59
SAINSBURY 9 1/8 96	150	[illegible]	[illegible]	[illegible]	9.46
SAS 10 99	200	[illegible]	[illegible]	[illegible]	10.07
SBAB 9 1/2 95	500	[illegible]	[illegible]	[illegible]	9.16
STATE BK STH AUST 9 1/4 93	100	[illegible]	[illegible]	[illegible]	9.02
SUMITOMO BK CAP MKT 9 3/8 93	150	[illegible]	[illegible]	[illegible]	9.07
SWEDEN 8 1/8 94	150	[illegible]	[illegible]	[illegible]	9.14
SWEDISH EXPORT 9 5/8 93	100	102	[illegible]	[illegible]	8.60
TOKYO METROPOLIS 8 1/4 96	200	[illegible]	[illegible]	[illegible]	9.23
WORLD BANK 8 3/8 99	1500	[illegible]	95	[illegible]	9.44
WORLD BANK 8 3/4 97	1500	[illegible]	[illegible]	[illegible]	9.24
XEROX CORPN 8 3/8 96	100	[illegible]	[illegible]	[illegible]	10.18

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96	96	[illegible]	9.26
AUSTRIA 6 98	400	[illegible]	[illegible]	[illegible]	9.12
CNT 6 1/8 98	200	[illegible]	[illegible]		9.25
CREDIT FONCIER 6 3/4 99	500	[illegible]	[illegible]	[illegible]	9.27
DEUTSCHE BK FIN 5 5/8 96	750	[illegible]	86		8.97
EEC 5 3/8 93	300	93	93	[illegible]	9.04
EIB 6 1/8 96	300	[illegible]	[illegible]		9.25
EIB 6 7/8 95	300	[illegible]	[illegible]		9.04
EUROFIMA 6 1/4 98	400	[illegible]	[illegible]		8.87
FELDMUEHLE FINANCE 8 99	200	[illegible]	[illegible]	[illegible]	9.39
FERRO DEL STAT 5 3/8 93	500	[illegible]	[illegible]		9.13
IND BK JAPAN FIN 5 5/8 96	200	[illegible]	[illegible]		9.45
INTER AMER DEV 7 1/4 99	300	89	[illegible]	[illegible]	9.13
LUFTHANSA INT FIN 5 7/8 98	500	[illegible]	[illegible]		9.26
QUEBEC HYDRO 6 3/4 99	300	[illegible]	[illegible]	[illegible]	9.47
SWEDEN 6 1/8 98	300	[illegible]	[illegible]		9.09
WORLD BANK 0 15	2000	[illegible]	[illegible]		8.29
WORLD BANK 5 3/4 96	300	[illegible]	[illegible]		9.11
WORLD BANK 7 1/8 95	500	[illegible]	[illegible]		9.00

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AIR CANADA 6 1/4 PERP	300	56	57	-1	11.15
ASIAN DEV BANK 6 10	100	[illegible]	82		7.89
AUSTRIA 4 5/8 98	100	[illegible]	[illegible]	[illegible]	7.10
COUNCIL EUROPE 4 3/4 98	250	[illegible]	[illegible]	[illegible]	7.39
EEC 5 1/2 00	100	86	87	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NIPPON TEL & TEL 5 7/8 96	50000	[illegible]	[illegible]	[illegible]	7.58
NORWAY 5 1/8 95	50000	[illegible]	[illegible]		7.62
SWEDEN 5 5/8 95	20000	[illegible]	[illegible]		7.70
WORLD BANK 6 3/4 00	50000	[illegible]	[illegible]		7.48

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	[illegible]	[illegible]		10.08
KREDIETBANK 7 93 LFr	1000	[illegible]	[illegible]		10.10
WORLD BANK 8 96 LFr	1000	[illegible]	[illegible]		10.01
AMRO BANK 6 1/4 92 Fl	150	[illegible]	[illegible]	[illegible]	9.71
RABOBANK 5 3/4 93 Fl	150	[illegible]	[illegible]		9.98
ALBERTA PROVINCE 10 92 C$	500	[illegible]	[illegible]	[illegible]	11.88
BCE INC 9 5/8 93 C$	300	[illegible]	[illegible]		12.18
BELL CANADA 10 5/8 99 C$	150	[illegible]	[illegible]	[illegible]	12.11
BRITISH COLUMBIA 9 1/4 93 C$	150	[illegible]	[illegible]	[illegible]	12.09
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
THORN EMI 5 3/4 04 £	103	7.45	[illegible]	[illegible]	+20.82

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

President of Nikko says Tokyo will recover

By David Lascelles, Banking Editor

THE recent fall in the Tokyo stock market is due to the economic cycle and does not reflect any structural changes in the Japanese financial system, according to Mr Takuya Iwasaki, the president of Nikko, the third largest Japanese securities house.

In London yesterday, Mr Iwasaki said it was wrong to infer, as many people had, that the fall pointed to permanent underlying changes in the market. Because of this, he was optimistic that the market would eventually resume its cyclical upturn.

He blamed the market fall on a number of factors, including the rise in Japanese interest rates, higher crude oil prices, and the weak yen. Two of these – interest rates and the currency – were now

Takuya Iwasaki: optimistic of market cyclical upturn

turning, he believed, and while the course of oil prices was more difficult to predict, "this will have quite a significant impact on the market", he said.

Although there was a prospect that Japanese land prices could fall by 20 per cent from their present high levels, Mr Iwasaki believed that the Bank of Japan would "adapt economic conditions" to prevent this developing into a crisis for the banking system.

Nikko intended to continue with its plans for expansion in Europe. "Where big changes occur, there should be big business opportunities," Mr Iwasaki said. The company is opening an office in Berlin to handle business in central and east Europe. Generally, the firm wanted to expand beyond business specifically related to Japan, into European areas, including securities, asset management, and mergers and acquisitions work.

Argentine bank in debt restructuring

By John Barham in Buenos Aires

BANCO de la Provincia de Buenos Aires (BPBA), Argentina's second largest commercial bank, has put forward a debt restructuring plan that would substantially reduce service payments on about $550m of foreign commercial bank debt.

The plan, designed by J.P. Morgan, the US investment bank, would involve exchanging outstanding debt for a range of new debt instruments backed by US Treasury zero-coupon bonds. It is similar to reduction packages by Mexico and Costa Rica. The bank, fully owned by the province of Buenos Aires, is proposing the package independently of the national government's foreign debt negotiators.

Mr Eduardo Amadeo, the bank's president, said it was "the first time an individual debtor institution has restructured its debt". At present, he said the bank is having to refinance these debts every 30 days. The bank has a further $750m in foreign debt, which has already been refinanced over 19 years.

Mr Amadeo said the bank is offering creditors three options. The first option would use the bonds to guarantee full payment of principal over 18 years, but would reduce interest payment by 40 per cent. The remaining 60 per cent would be tied to Libor plus a spread of ⅞ of one per cent.

The second option would reduce principal by 60 per cent, but guarantee full interest payment at the same rate as the first option, over 12 years.

The third option fully repays principal and 70 per cent of interest tied to the same rate, but requires creditors to open four-year trade credit lines to BPBA equivalent to the 30 per cent interest waived.

Despite the heavy use of debt-for-equity swaps in Argentina's privatisation programme, in which both J.P. Morgan and BPBA are big players, the country's debt still trades for only 16 to 13 per cent of its face value on the secondary debt market.

INTERNATIONAL CAPITAL MARKETS

Issues reflect investors' move to defensive stocks

By Deborah Hargreaves

THE MARKET for international equity issues mirrors the focus of investors on defensive stocks in today's uncertain environment. By far the majority of companies currently offering equity to international investors is in the oil and natural resources business.

Amid a flight to quality as markets around the world turn on a volatile path downwards, investors are being extremely selective in their allocation of funds to international markets. For this reason, companies coming to market must offer strong credit.

INTERNATIONAL EQUITY ISSUES

In addition, oil companies have not seen their share prices eroded by as much as has been evident in other sectors and in some cases, prices are buoyed on the back of a higher oil price. For other corporations, equity prices have dropped so dramatically that, even if there were a receptive market for them, they would not want to issue stocks at these prices because they feel they would be giving them away.

The increase in the price of oil has breathed new life into the market for oil instruments and given companies an opportunity to liquify their oil investments after a period of poor market conditions for natural resources firms.

Four US oil companies are anticipating issuing equity into the international market in early November, all of which will base their offerings in the US market with a tranche to be launched internationally. The companies which include Argent Energy, Cross Timber Oil, Input-Output and Odeco, will tap the market for a total of $300m.

On top of this, Oryx Energy, a US oil exploration firm, is planning to raise $385m in a deal which will be priced this week. The issue is being made as part of a secondary offering which is being lead-managed by Morgan Stanley. The shares are reported to be meeting fairly steady investor interest although the environment remains extremely uncertain and the success of no deal can be guaranteed.

In a similar vein, Utilicorp, the US utility company, plans to tap the market for $75m in early November in an offering led by Smith Barney.

Other deals in the market include an issue of 500,000 B shares for Simrad, the Norwegian marine electronics firm which was priced last Friday at Nkr110 per share. The proceeds of the deal will be used for international growth of the company. In addition, Bundesländer, the large Austrian insurance firm will price its $72m offering this week.

An offer of 5m shares in Fotex, the Hungarian film development company is expected to be closed today after meeting so much domestic demand that the tranche of 2.5m registered shares earmarked for international investors is unlikely to be sold.

Warrants' liquidity frustrations come to the boil

Deborah Hargreaves examines investors' problems with hedging instruments in today's volatile markets

Hardly a day seems to go by in present volatile equity markets without a substantial issue of equity or index warrants vying for the attention of the City's international fund managers.

In a bear market, warrants offer some protection to investors looking to defend their portfolios from erosion and for this reason, some institutions have shown healthy demand for the stream of paper emerging from investment banks. On the back of this demand, many brokerage houses and investment banks have muscled into a sector which still offers the chance of making some money as profit margins come under assault in other sectors of their business.

Japanese equity warrants have proved a big money-spinner for Tokyo's brokerage houses in the past and are meeting healthy demand again now that the market has re-opened after a four-month hiatus earlier this year.

At the same time, the past year has seen the European warrants business bloom almost overnight into a more sophisticated marketplace. Some estimates now put the size of the European market at $20bn in outstanding premiums on individual stock warrants and $7bn on index warrants.

The trend appears to be moving towards the sale of warrants on the FT-SE 100 index, the German DAX market index and the French CAC 40 index, all of which give the international investor exposure to the European market.

Stock index and covered stock warrants are long-term options to buy or sell a particular stock or index at a certain price and on a specific date. Since they are traded over-the-counter in an environment fairly free from regulation, they are a relatively simple instrument for a broker to promote.

In addition, warrants are attractive to investors who want exposure to a particular market for the next two to three years and do not want to put up margin at a stock exchange. Exchange-traded options, which are similar instruments, usually have a life of nine months at the longest and are traded in a much more visible marketplace.

In the US, where regulation is tougher and public options markets are better developed, warrants have not achieved the overwhelming popularity they have found in Europe and Japan. Exchanges such as the American Stock Exchange which have started to trade issues of index warrants have seen a steady growth in warrant business, but long-dated options, currently under development in the US, could compete with warrants in a couple of years.

However, few participants in the over-the-counter warrants market look that far ahead. Many brokers have piled into a market where they have been able to charge a substantial margin for issues by relying on investors' ignorance of the intricacies of pricing this sort of instrument.

Unibank plans to launch up to 100,000 covered warrants exercisable into Danisco shares, the first issue of warrants on Danish shares to be listed. Danisco's main business is sugar production. The first warrants will be issued on November 5. The warrants can be exercised from April 21, 1992 to May 5, 1992 at a strike price of DKr950.

While the market has become much more sophisticated in the past few months, many investors who bought early on are stuck with over-priced paper they are able to sell only at a substantial discount.

For instance, some investors have been disillusioned by buying put warrants – conferring an option to sell – on the Tokyo Stock Exchange's Topix index. Without realising the warrants were European puts which can be exercised only at expiration of the issue, as opposed to American puts which can be exercised at any time during the issue's life, investors were not prepared to see the warrants trading at a substantial discount to their intrinsic value.

Large houses such as Salomon Brothers and Bankers Trust have been heavy issuers of index warrants and are committed to providing a liquid secondary market in them. But some other houses are not as conscientious.

For many warrant issues, the market has proved illiquid and wildly volatile with large bid-offer spreads. Since they are geared instruments, warrants can be expected to post a larger fall in value when the underlying market is in decline, but because of the sparse volume in parts of the warrant market, some investors are stuck with illiquid issues they find hard to sell.

This is evident in the discount to net asset value at which many Japanese warrant funds have been trading. These funds are aimed at giving the private investor a play on the Japanese market that would not otherwise be available.

But many funds are now trading at a 40 to 50 per cent discount to net asset value and have seen their trading level drop by around 45 per cent in the past six months although the Japanese market has declined by 27 per cent over the same period. The closed nature of many of these funds means an individual investor is unable to sell out of what is currently a loss-making investment.

For investors, particularly retail clients, who buy warrants, it can be frustrating to see the value of the investment fall so swiftly and then be unable to sell out. "What's the point in having a three-year warrant that reflects your view today when you can't cash it in in a couple of months and you're stuck into the risk?" comments Mr Trevor Pullen, director at Prudential Portfolio Managers.

Other institutional investors reflect his view and say they would steer away from the warrants market until they can be assured of its liquidity.

Barclays de Zoete Wedd is understood to be putting together a big issue of European index warrants with a view to providing a liquid secondary market and some discipline to trading the instruments, but there is little indication of when this may come to fruition.

"Nothing obliges a house to make a secondary market in these warrants except for integrity," says Mr Sunny Goonetilake, head of warrants trading at Citibank which recently issued 100m warrants on the CAC 40 index. "It is certainly worrying that so many people come to the market, but investors should try and be canny and look at prices to determine who offers the best price and service."

Kleinwort in downgrade

By Tracy Corrigan

Moody's, the US rating agency, has lowered the rating of UK merchant bank Kleinwort Benson's short-term obligations to Prime-2 from Prime-1.

Moody's attributed the downgrade to Kleinwort's recent trading losses, and to the adverse outlook for the company's securities business, given the current recessionary climate.

Kleinwort's corporate finance activity in 1990 is down in comparison with last year, Moody's said. The agency predicted the company will experience a rise in problem-lending, and heavier provisioning in both the UK and the US.

EBRD appoints Dutch banker as general secretary

By Tracy Corrigan

MR BART Le Blanc, a Dutch banker and former civil servant, has been appointed general secretary of the European Bank for Reconstruction and Development, the institution set up earlier this year to finance the economic regeneration of eastern Europe.

He will take up the appointment in the spring, when the European Bank is expected to become operational.

The role, largely advisory and administrative, involves liaison between the board and the institution.

Mr Le Blanc, deputy chairman of F. van Lanschot Bankiers, Holland's oldest private bank, was to become chairman in July 1991. Prior to joining van Lanschot, he served in the Dutch government for 10 years, latterly as director general of the budget.

Eksportfinans uses short-end swap window

By Tracy Corrigan

EKSPORTFINANS, the Norwegian export financing agency, took advantage of swap opportunities at the short end of the Euroyen bond market to launch a Y30bn two-year deal.

Even though a handful of recent short-dated deals have started to narrow the swap window, the issue still provided Eksportfinans with funding at about 25 basis points below the dollar London interbank offered rate, an attractive rate in the current climate, though far short of the agency's target a year or so ago.

INTERNATIONAL BONDS

Eksportfinans has the advantage of being able to move its funding target, depending on the level at which it plans to lend or invest the proceeds of a given issue, a Treasury official explained.

Currently, the target tends to range between 20 to 30 basis points.

The official added that Eksportfinans has no refinancing requirement for the rest of this year, and any further borrowing will depend on the level of demand for Eksportfinans funds.

The bonds are structured with a short first coupon to attract Far Eastern investors, who cannot buy the bonds for 90 days, as well as European investors. The 8 per cent coupon remains a key psychological level for investors. However, the bonds yield about the same as recent offerings for Crédit Local de France and General Electric Capital Corporation, both of which are rated triple-A. Eksportfinans has a split Triple-A/Double-A 1 rating.

The Credit Local and GECC deals were placed mainly in Europe, but lead manager Nomura International expects about half the Eksportfinans deal to go to Japanese accounts. The deal was bid on full fees of less 1⅛ bid.

Although the swap window remains open, demand for further two-year Euroyen offerings could prove patchy, dealers said.

Elsewhere, Kato Denki brought a small SFr30m private placement of convertible bonds, via Nomura Bank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Tonami Transportation(b)#♦	100	4¾	100	1994	2¼/1½	Kankaku (Europe)
SWISS FRANCS						
Kato Denki(c)★★§	30	6⅛	100	1995	1⅝	Nomura Bk (Switz)
YEN						
Eksportfinans(a)♦	30bn	8	101.075	1992	1⅛/⅛	Nomura Int.

★★Private placement. §Convertible. #With equity warrants. †Floating rate note. ♦Final terms. a) Non-callable. b) Coupon was indicated at 5⅛%. Exercise premium fixed at 2.58%. c) Put-option 31/3/93 at 108⅛%, to yield 9.283%. Coupon payable semi-annually.

El Salvador unveils plan to privatise banks

By Tim Coone in San Salvador

EL SALVADOR will today unveil plans to privatise the country's banking and finance system after 10 years of state control.

Banks and savings institutions are to be sold off entirely to private investors, although individual holdings by individuals, companies or conglomerates will not be permitted to exceed 5 per cent of any institution's total shares.

Bank employees are to be given priority in the purchase of their companies' shares. The proposals form part of a broad economic liberalisation plan aimed at boosting exports and foreign investment.

The proposals are expected to be passed by the legislative assembly. Bank privatisation is to go hand-in-hand with plans to open a stock market.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Oct 30 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Oct 29 Index No.	Fri Oct 26 Index No.	Thu Oct 25 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (196)	689.05	-1.3	16.03	6.91	7.62	31.87	698.00	696.40	706.18	860.88
2 Building Materials (26)	922.56	-1.1	15.91	6.62	7.74	40.76	932.65	933.82	954.69	1016.25
3 Contracting, Construction (35)	1122.70	-0.2	17.06	7.11	7.59	58.05	1125.25	1121.45	1145.45	1351.51
4 Electricals (10)	1839.55	-3.1	15.28	7.32	8.01	84.91	1899.26	1884.26	1880.00	2470.06
5 Electronics (26)	1551.13	-1.1	10.84	5.53	12.62	58.17	1568.38	1564.11	1574.12	1902.22
6 Engineering-Aerospace (8)	409.48	-1.0	16.53	5.95	7.27	15.45	413.53	410.71	418.61	0.00
7 Engineering-General (47)	352.62	-1.1	17.00	7.37	7.07	17.38	356.40	356.03	360.66	0.00
8 Metals and Metal Forming (8)	396.24	-1.6	28.76	8.43	4.23	17.02	402.65	398.67	399.59	449.25
9 Motors (13)	264.22	-1.5	19.17	9.10	6.08	14.53	268.14	268.79	276.46	366.75
10 Other Industrial Materials (23)	1129.87	-1.7	14.93	7.22	7.74	60.27	1149.54	1147.45	1160.51	1585.54
21 CONSUMER GROUP (176)	1176.85	-0.8	10.36	4.34	11.94	31.51	1186.90	1186.36	1197.35	1222.65
22 Brewers and Distillers (22)	1462.72	-1.2	10.69	4.04	11.33	33.61	1480.08	1477.83	1510.07	1375.28
25 Food Manufacturing (18)	999.79	-0.5	11.61	4.88	10.64	28.13	1004.91	1006.29	1014.79	1092.72
26 Food Retailing (16)	2249.13	-0.3	9.29	3.25	14.03	52.68	2255.29	2263.72	2283.05	2275.95
27 Health and Household (16)	2403.19	-1.5	7.36	3.10	16.06	50.32	2439.78	2438.50	2439.46	2425.50
29 Leisure (32)	1187.29	-0.4	12.63	5.46	9.59	44.58	1192.51	1190.54	1202.38	1500.36
31 Packaging & Paper (12)	478.66	+0.1	13.45	7.27	9.13	22.95	478.37	478.04	484.19	523.40
32 Publishing & Printing (14)	2844.05	-0.8	12.62	6.59	9.93	126.51	2867.81	2875.26	2911.23	3489.43
34 Stores (34)	786.10	-0.6	11.26	4.69	11.55	19.51	790.79	787.79	792.49	758.85
35 Textiles (12)	416.36	-0.4	14.34	8.53	8.84	20.45	417.89	416.56	421.56	510.43
40 OTHER GROUPS (107)	943.13	-1.1	13.11	6.32	9.28	32.16	953.71	953.02	967.85	1082.70
41 Agencies (15)	936.52	-5.0	11.38	3.56	10.64	22.25	985.40	990.68	1001.01	1488.44
42 Chemicals (24)	983.49	-0.7	13.42	6.76	8.80	46.81	990.14	983.67	996.84	1167.75
43 Conglomerates (15)	1227.84	-1.7	13.83	8.16	8.72	38.53	1249.14	1258.21	1298.15	1533.75
44 Transport (14)	1821.29	-1.2	13.33	5.76	9.50	67.29	1843.91	1845.55	1875.89	2104.76
46 Telephone Networks (3)	1046.76	-1.2	12.50	5.22	10.41	26.09	1059.57	1052.78	1060.68	1050.07
47 Water (10)	1984.00	+0.5	14.80	6.83	7.64	68.12	1974.45	1971.98	1963.61	0.00
48 Miscellaneous (26)	1484.75	—	12.63	6.07	9.20	61.84	1484.81	1488.89	1524.41	1781.32
49 INDUSTRIAL GROUP (479)	985.70	-1.0	12.43	5.47	9.86	32.01	995.88	994.94	1007.11	1103.17
51 Oil & Gas (21)	2275.90	-1.0	9.83	5.48	13.29	85.44	2298.29	2305.65	2313.48	2118.50
59 500 SHARE INDEX (500)	1091.25	-1.0	12.02	5.47	10.28	37.07	1102.44	1102.12	1114.06	1188.47
61 FINANCIAL GROUP (103)	657.79	-2.1	—	7.25	—	32.89	671.67	674.29	686.65	739.20
62 Banks (9)	685.51	-3.1	23.86	8.41	5.49	42.00	707.25	710.25	730.22	727.29
65 Insurance (Life) (7)	1245.85	-1.6	—	6.16	—	55.82	1265.91	1267.47	1281.63	1238.98
66 Insurance (Composite) (6)	561.93	-2.1	—	7.55	—	32.08	574.08	577.29	583.67	639.27
67 Insurance (Brokers) (8)	874.46	+1.2	8.60	7.35	15.24	41.94	864.50	857.60	862.19	1040.86
68 Merchant Banks (7)	339.63	-0.9	—	6.03	—	12.75	342.88	348.63	347.88	389.35
69 Property (45)	901.45	-1.5	8.10	5.41	16.29	25.45	915.63	920.09	938.85	1152.41
70 Other Financial (21)	242.14	-0.7	11.74	7.21	10.95	11.83	243.78	243.33	244.57	315.07
71 Investment Trusts (66)	998.66	-0.6	—	3.99	—	25.91	1004.71	1004.02	1016.35	1181.34
81 Overseas Traders (5)	1074.20	-2.4	13.32	8.60	8.94	69.98	1100.11	1111.05	1131.00	1350.50
99 ALL-SHARE INDEX (674)	985.87	-1.2	—	5.57	—	35.66	997.43	997.77	1009.72	1080.79

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 29	Oct 26	Oct 25	Oct 24	Oct 23	Year ago
FT-SE 100 SHARE INDEX♦	2033.9	-28.2	2054.3	2033.9	2062.1	2063.1	2088.7	2110.5	2127.0	2142.6

FIXED INTEREST

PRICE INDICES	Tue Oct 30	Day's change %	Mon Oct 29	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	118.48	+0.25	118.18	—	10.24
2 5-15 years	122.91	+0.43	122.39	—	11.95
3 Over 15 years	124.35	+0.33	123.94	—	9.84
4 Irredeemables	138.44	+0.17	138.20	—	13.46
5 All stocks	123.39	+0.36	122.96	—	11.31
Index-Linked					
6 Up to 5 years	155.33	+0.15	155.10	—	3.04
7 Over 5 years	139.26	+0.41	138.68	—	3.45
8 All stocks	140.35	+0.39	139.81	—	3.42
9 Debentures & Loans	101.83	-0.02	101.85	—	9.29
10 Preference	73.13	+0.03	73.17	0.06	5.47

AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 30	Mon Oct 29	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.52	10.56	9.93
2	15 years	10.51	10.57	9.61
3	25 years	10.82	10.88	9.51
4 Medium Coupons	5 years	11.44	11.50	10.98
5	15 years	11.32	11.38	10.00
6	25 years	11.18	11.24	9.64
7 High Coupons	5 years	11.13	11.19	11.09
8	15 years	11.16	11.22	10.20
9	25 years	11.48	11.52	9.79
10 Irredeemables		11.42	11.43	9.56
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.04	4.10	3.66
12 Inflation rate 5%	Over 5 yrs.	4.35	4.38	3.59
13 Inflation rate 10%	Up to 5 yrs.	2.80	2.86	2.81
14 Inflation rate 10%	Over 5 yrs.	4.17	4.19	3.42
15 Debs & Loans	5 years	13.28	13.29	13.76
16	15 years	12.85	12.93	12.27
17	25 years	12.51	12.56	11.00
18 Preference		12.99	12.99	10.69

†Opening index 2054.3; 9 am 2045.5; 10 am 2044.5; 11 am 2043.8; Noon 2039.7; 1 pm 2040.7; 2 pm 2040.7; 2.30 pm 2039.1; 3 pm 2040.9; 4.10 pm 2037.7; 4.30pm 2033.9 † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	80	1	5
Corporations, Dominion and Foreign Bonds	9	0	12
Industrials	146	495	911
Financial and Properties	76	261	405
Oils	10	31	48
Plantations	0	3	7
Mines	29	28	96
Others	42	81	87
Totals	392	900	1,570

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
100	Nil	—	10pm	10pm	Arcadian Intl.	10pm	
77	Nil	—	13pm	8½pm	Bryant Group	9½pm	-2
140	Nil	—	5pm	3pm	MTN 5p	4½pm	-½
180	Nil	—	27pm	20pm	Sinclair (Wm.) Hldgs	27pm	
5	Nil	—	8pm	5pm	Sycamore Hldgs. 5p	6pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. t Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. [illegible] † Introduction. ‡ Placing price. †† Reintroduction. [illegible] securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Oct. 29
- Last Dealings Nov. 9
- Last Declarations Feb. 7
- For settlement Feb. 18

For rate indications see end of London Share Service

Calls in ADT, Business Technology, Conroy Pet., Davy Corp., Ivernia West, Stakis and Tuskar Res. Put in Vaal Reefs. Puts and calls in ADT and Brent Walker.

LONDON TRADED OPTIONS

EQUITY FUTURES continued to drift lower yesterday as a gloomy survey from the Confederation of British Industry, higher oil prices and a decline on Wall Street continued to undermine sentiment. Meanwhile, turnover in the traded options market picked up as two brokerages actively dealt in the FT-SE 100 index.

The CBI report set the tone for the morning's futures trading with prices marked lower at the opening.

Further losses came as renewed concerns over the likelihood of war in the Gulf pushed energy prices higher.

The fall in US and European markets ruled out any chance of a recovery during the afternoon. However, institutions took the opportunity to gently buy FT-SE futures, said Mr Harvey Neale of UBS Phillips & Drew.

The December FT-SE contract ended at 2,062, down 27 points on the day. Its premium over the cash index was little changed at 28 points against fair value of 35.

In traded options, turnover increased by more than 50 per cent from the previous session's depressed levels. However, this was due entirely to a rise in activity in the FT-SE index options.

Hoare Govett executed a large, *neutral, technical order for an* institution. The trade involved the European and US-style FT-SE options across 13 series and amounted to a total of 5,353 contracts.

Another broker bought 1,000 November 1,850 puts and sold 2,000 November 1,800 puts.

British Airways was the busiest stock option as one broker bought 1,000 January 140 puts and sold 1,000 July 140 puts, accounting for the vast bulk of the activity.

Cable & Wireless was next on the list as James Capel bought 528 January 480 calls at 9p. Racal traded 1,069 with the November 180 calls actively dealt, while British Steel traded 790 lots.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*463)	460	29	47	55	20	27	32
	500	13	29	36	45	[illegible]	53
	550	4½	14	—	90	90	—
ASDA (*120)	120	11	15	19	7½	12	13
	130	7	10	15	14	17	19
	140	4	7	9	22	24	25
Brit. Airways	130	15	19	23	7	10	12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar (*175)	160	27	32	36	12½	17	22
	180	16	21	25	25	28	33
Utd. Biscuits (*314)	300	32	38	44	7	14	16
	330	14	22	28	23	26	30
Unilever (*655)	650	44	65	80	27	37	44
	700	21	40	55	57	67	70
Ultramar	300	38	45	53	8	11	16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Austral (*58)	50	12	14	16½	2	4	6
	60	4	8	11	5½	8	10
Barclays (*332)	300	21	38	42	16	25	27
	357	9	—	—	32	—	—
Blue Circle (*200)	200	14	24	27	10½	15	19
	220	4½	15	19	24	27	31
British Gas (*214)	200	20	25	32	3	6½	8
	220	8	[illegible]	20	9	14	16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Nov	Dec	Jan	Feb	Mar	Jun
FT-SE INDEX (*2033)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

October 30 Total Contracts 35,428 Calls 10,444 Puts 24,984 FT-SE Index Calls 2,898 Puts 11,826 Euro FT-SE Calls 592 Puts 3,500 *Underlying security price. † Long dated expiry months.

City scepticism about how much raid will achieve ● Westminster concern about rapid collapse ● Nadir protests his innocence

SFO under pressure to vindicate its actions

By David Barchard

THE RAID by the Serious Fraud Office on the Berkeley Square headquarters of Polly Peck International yesterday is generally assumed to have been aimed at uncovering evidence of a possible share support operation from within the company.

If evidence, leading to a successful prosecution of those involved, is not discovered, there are bound to be some sharp questions about the role of the SFO in the Polly Peck affair.

The SFO, a statutory prosecuting authority set up three years ago to investigate complex frauds involving sums of more than £1m, has played a crucial part in the catastrophic series of events at the company in the last two months. It may feel under growing pressure to produce results.

Early this month, Mr Güneş Taner, Turkey's Minister for the Economy, warned that there would be grave consequences if the SFO failed to substantiate its charges.

Reports of alleged share price rigging through companies linked to Mr Asil Nadir, Polly Peck's chairman, or members of his family have been circulating since the early summer when they were published in several newspapers.

Yesterday's investigations, in which quantities of documents were removed from the group, appear to be the latest effort by the SFO to nail down definite evidence, but they have also brought the spotlight back on the SFO.

Confirmation that the SFO was investigating Polly Peck's affairs erupted in spectacular fashion on September 19, when officers of the Metropolitan police raided South Audley Management, a company used by Mr Nadir to pay for property dealings and other transactions, and interviewed Mr Nadir the following day.

Though SFO investigations are supposed to remain secret, news of the raid dribbled out. Telephone inquiries to the SFO's headquarters in Elm Street, London, near Gray's Inn Road, elicited confirmation of the raid, although an official statement did not emerge for hours.

In the meantime, Polly Peck's shares collapsed and were suspended.

This in turn was followed by a crisis of confidence among the 60-odd banks with exposure to the group, which culminated in Polly Peck being placed in administration.

Yesterday's raid looks even odder in the light of claims by Mr Nadir that SFO accountants have been at work in the group's headquarters for three weeks with the co-operation of the company. Yesterday the SFO would neither confirm or deny this.

In the City yesterday, there was keen interest in the investigations into Polly Peck, but also some scepticism about how much it was likely to achieve.

"I imagine they will be looking into papers on dealings between the Cyprus Industry Bank and Polly Peck, as well as dealings between the different Nadir companies, including temporary loans, parking of money, share dealing, and the possibility of the company lending money for its own shares to be ramped up," said one former Polly Peck executive.

He added: "I personally doubt that they will find anything. I think a lot of the rumours about share dealing are to do with the strange people that Birol [Mr Nadir's elder son] surrounded himself with. Mr Nadir reads the newspapers and he knows what happened to Ernest Saunders."

Meanwhile the SFO is still anxious to interview two close associates of Mr Nadir in South Audley Management, Mrs Elizabeth Forsyth and Mr Jason Davies.

Mrs Forsyth, who managed Mr Nadir's personal finances, has been missing since September and is believed to be in either Switzerland or northern Cyprus. Mr Davies, a young stockbroker, still in his 20s, is thought to be in Switzerland. Neither of the two has given any explanation for their unwillingness to step forward and help the SFO with its inquiries.

Lydia van der Meer

Police entering Polly Peck's offices yesterday with a filing cabinet ready to remove the files

Nadir again asks court for details of Fraud Office probe

By Raymond Hughes

MR ASIL Nadir will make another attempt in the High Court tomorrow to force the Serious Fraud Office to tell him the basis for its investigation into his affairs.

Lord Irvine, QC, for Mr Nadir, will challenge a judge's refusal three weeks ago to allow Mr Nadir to apply for an order directing Mrs Barbara Mills, QC, the SFO director, to give him details of the investigation.

Mr Nadir wants a judicial review of what he claims is the SFO's "unfair" refusal to tell him what transactions gave rise to the probe.

His application was rejected on October 12, when Mr Justice Steyn said it would be "unworkable to impose a general duty on the director of the SFO to supply particulars if the person investigated asks for such information."

Good administration would be hindered, not promoted, if the disclosure order sought by Mr Nadir were made. The new application will be heard by Lord Justice Taylor.

Nadir statement promises full co-operation

This is the full text of the statement issued yesterday by Mr Asil Nadir:

"This morning, the Serious Fraud Office in attendance with the Metropolitan Police, entered the London premises of Polly Peck International, of which I am chairman, chief executive and in which I have a principal interest.

"It has always been my position that I wish to co-operate fully with any proper and rightful investigations of the SFO or indeed any other regulatory body.

"At the time of the Stock Exchange's inquiry into events surrounding my indicating that I and my family's interests may wish to acquire such shares of Polly Peck which were not already in our control, I instructed my lawyers and other professional advisers to afford complete co-operation to the Stock Exchange.

"When I subsequently learned that the Stock Exchange had passed its papers to the SFO, I instructed my lawyers to contact both that office and the Department of Trade and Industry. They again told both bodies that the fullest co-operation would be given.

"Apparently, without notifying the Stock Exchange and for reasons which the SFO refuse to make known to me or my lawyers, a warrant was executed to search the premises of South Audley Management on September 19.

"I and my advisers are not aware that the SFO approached the Stock Exchange prior to taking action which they must have known was price-sensitive and which I believe, in part, created a false market in the shares of Polly Peck. However, the SFO did issue a press release notifying the media of their actions.

"South Audley Management is a private company owned by a trust and is responsible for providing management services to such interests as I, my family, and family trusts, have in this country. For instance, it manages property such as Burley-on-the-Hill in Leicestershire.

"Additionally, it and other companies serviced limited newspaper and publishing interests in this country and assisted with similar operations abroad.

"On the same day that the warrant was executed at South Audley Management premises, my lawyers were contacted by the SFO who asked that I should attend for interview. Although dates in the following week were suggested by the SFO, I instructed my lawyers to confirm that I wished to attend at the very earliest opportunity.

"I duly did so on September 20, a date which as it transpired was highly inconvenient because speculative rumour (including the announcement of my death) and the release of information to the media, caused the share price to fall dramatically until the shares were suspended at Polly Peck's request.

"Although there were obviously heavy demands upon my attention, these did not affect my willingness to attend the SFO voluntarily to assist.

"At the interview with the SFO I answered as best I could, in difficult circumstances, the broad and generalised questions put to me. After the interview, neither I nor my lawyers were any wiser about the actual transactions or series of transactions which must then have concerned the SFO.

"After the fall in the share price, the SFO asked Polly Peck whether the company would allow their instructed accountants facilities to inspect documents at the company's London office. Of course, that request was acceded to readily.

"For about three weeks, those accountants have been working in the company's offices, inspecting documents, and their questions were being answered.

"Notwithstanding the co-operation that the company and myself have given and continue to wish to give, the SFO – for reasons best known to itself – has chosen to use the Metropolitan Police to enter and search the company's premises in a more spectacular way than the investigations by professional accountants could achieve.

"This is all the more astonishing since I understand that the joint administrators have also indicated to the SFO that they will co-operate fully with any investigations.

"Even before today's events, I and my lawyers have been concerned with various aspects of the SFO's handling of its investigations.

"It is known that I will renew my application to the divisional court for leave for a judicial review. In such circumstances, I am therefore constrained from making further comment in this particular regard.

"I would finally wish to repeat that I have committed no criminal act and in particular I have not been involved with any illegal or unauthorised share dealings and I believe that today's actions by the SFO are symptomatic of a new desperation on the part of that body."

Growing pressure from MPs for government to set up inquiry

MR PETER LILLEY, trade and industry secretary, could announce the appointment of government inspectors to investigate the collapse of Polly Peck International as early as next week, writes Ralph Atkins.

The Department of Trade and Industry is under growing pressure from Conservative as well as Labour MPs to set up an inquiry. Administrators, called in to re-organise Polly Peck, have been asked to report "at the earliest opportunity" and a recommendation for a full inquiry is extremely unlikely to be refused.

Ministers at the DTI are conscious of the widespread concern at Westminster about the lessons which should be learnt from Polly Peck's unexpected and rapid collapse – particularly over the scale of bank lending and the role of the accountancy profession.

The DTI will consult with the Serious Fraud Office before making an announcement. Past objections to running two investigations in parallel could be over-ruled.

Polly Peck has scarcely been mentioned in the Commons' chamber itself but in Westminster's corridors and lobbies, fears about the possible consequences are not hidden.

Mr James Cran, usually regarded as a Conservative loyalist on the Commons' trade and industry committee, said: "It [Polly Peck] all seems to have been built on a pack of financial cards. It is a matter of confidence."

The role of banks and of the standards in the accountancy profession "are all matters of concern which have to be investigated properly."

Another Tory MP asked: "How can you have a situation in which a company, in a matter of months, is built up by report after report and by analysts to be worth billions and then suddenly crashes? It is a matter of restoring confidence, particularly in the government's drive for popular capitalism."

For Labour, Mr Gordon Brown, shadow trade and industry spokesman, wrote to Mr Lilley yesterday urging him to end the "dithering and delay" in setting up an inquiry.

He expressed concern about the state of Polly Peck's accounts, the "amazing scenes" surrounding Mr Nadir's attempt this summer to buy a large chunk of the shares in his company he did not already own, and the delay before Polly Peck's shares were suspended. "Mr Lilley should make a decision now," Mr Brown said.

There are some doubting voices, however. Sir Giles Shaw, a former Conservative trade minister, thought a DTI inquiry unnecessary. "There are a large number of companies going bust and I suspect the trading circumstances had more to do with it then problems with its auditors".

Members of the trade and industry select committee are unlikely formally to investigate Polly Peck's downfall but it could give further ammunition to those on the committee arguing for MPs to launch an inquiry into the City's regulatory regime.

Polly Peck itself, suggested an inquiry under section 442 of the 1985 Companies Act in a letter to to Mr John Redwood, corporate affairs minister, in September. Mr Redwood suggested Polly Peck might prefer a broader investigation into its affairs under section 431 of the same act.

The catch was that Polly Peck could have been required to pay the cost of the investigation – possibly in excess of £1m. Polly Peck never replied to that letter.

Rank saves £15m initially with Mecca integration

By Andrew Hill

RANK ORGANISATION, the UK's largest leisure group, expects to save £14.5m a year now it has completed the integration of Mecca Leisure's businesses, and believes the savings will continue.

Rank won Mecca with a £490m bid earlier this year. The group called an analysts' meeting yesterday and issued a statement to reassure the market about the purchase.

Rank shares have fallen from a peak of 868p at the beginning of July on fears that it might be experiencing problems with the Mecca acquisition.

But the group said benefits from the acquisition would include lower corporate overheads, greater purchasing power and marketing and operating cost improvements from the bingo, holiday, restaurant and hotel businesses.

After the meeting Rank shares rose more than 10p, against the trend of the market, only to fall sharply in the last 90 minutes of trading on suspicions that some brokers had downgraded their profit forecasts.

They closed down 36p at 543p.

Analysts' forecasts for the financial year which ends today range from £330m to £380m before tax.

A new divisional structure, incorporating Mecca, will come into operation tomorrow, and Rank revealed that on a pro forma basis, net debt for the combined group at the end of 1989 would have been £817m, or 56 per cent of shareholders' funds.

Gearing has now fallen to 45 per cent and is likely to be the same in about a year's time, according to Mr Michael Gifford, Rank's chief executive.

He pointed out that some 70 per cent of the £720m of net debt is fexed at rates of interest below 10 per cent for the next four years.

Mr Gifford said yesterday he was puzzled by the 50-point turnround in the group's share price: "What we clearly said was that Mecca turned out overall exactly as we had expected it would, that the integration had proceeded extremely rapidly and that we would see initial synergy benefits of £14.5m which would continue."

In its statement, Rank said its principal markets continued to be affected by the poor economic climate in the UK and north America, but picked out the Haven holidays business and the bingo operations as strong performers in spite of the difficult conditions.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglo-Park ....fin	1	Nov 30	-	3	-
Durham (DG) § ....int	1‡	Jan 22	1	-	2
Jackson Group ....int	1	Nov 30	1	-	3.2
Lon Strathclyde ......fin	3.95	Dec 2	3.55	5.45	4.8
Low (Wm) ....fin	5.25	Jan 7	4.4	7.75	6.5
Powerscreen Intl.....int	1.6†	Jan 11	1.45	-	5.04
Thames Water ....int	6	Jan 11	-	-	-
Whittington ....int	nil	-	0.2	-	1.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aran Energy, Atlantic Resources, Bertam Hldgs, Blackland Oil, British Borneo Petroleum, Centreway Trust, Cullens, Gresham House, JMP, Marks & Spencers, Mezzanine Cap & Inc Trust 2001, Ralston Inv. Trust, Rowe Evans Invs., Shiloh, Tullow Oil, Westerly.

Finals- Bett Bros., Fenner, Honeysuckle.

FUTURE DATES

Interims-

CST Emerging Asia Trust	Nov. 2
Christie Group	Nov. 27
Evans of Leeds	Dec. 4
Forward	Nov. 21
Parkland Textile	Nov. 9
Thorn EMI	Nov. 14

Finals-

BOC	Nov. 12
Sturge	Dec. 10

COMPANY NOTICES

JOINT COMPANY ANNOUNCEMENT

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
(AAC) (Registration No. 01/05309/06)

DE BEERS CONSOLIDATED MINES LIMITED
(DE BEERS) (Registration No. 11/00007/06)

EAST RAND GOLD AND URANIUM COMPANY LIMITED
(ERGO) (Registration No. 71/07001/06)

WESTERN DEEP LEVELS LIMITED
(WDL) (Registration No. 57/02349/06)
(All of which are incorporated in the Republic of South Africa)
and

DE BEERS CENTENARY AG
(CENTENARY) (Incorporated in Switzerland)

WITHDRAWAL OF LISTINGS OF S ORDINARY SHARES AND LINKED UNITS INCORPORATING S ORDINARY SHARES

Members of the abovementioned companies are advised that in response to applications by their respective companies, The Johannesburg Stock Exchange and The International Stock Exchange of the United Kingdom and Republic of Ireland Limited have consented to the withdrawal of the listings of the issued S ordinary shares of ERGO and WDL, and the linked units of De Beers/Centenary which incorporate De Beers S ordinary shares. The effective date for the withdrawal of the listings will be the close of business on 2 November 1990.

In the case of ERGO and WDL, AAC will exchange at no cost ordinary shares in ERGO and WDL for the S ordinary shares held by shareholders in these companies. This exchange will be possible for so long as shareholders hold S ordinary shares which cannot be converted into ordinary shares because of the impact of legislation in the United States of America on shareholders in that country. Similarly, in the case of De Beers/Centenary linked units, AAC will make available at no cost linked units incorporating De Beers deferred shares in exchange for linked units which incorporate De Beers S ordinary shares held by linked unitholders.

40 Holborn Viaduct
London EC1P 1AJ

31 October 1990

LEGAL NOTICES

IN THE MATTER of ROCKWOOD FLEET SERVICES LIMITED (IN ADMINISTRATION)
AND
IN THE MATTER of The Insolvency Act 1986

Notice is hereby given that a meeting of Creditors in the above matter is to be held at NATIONAL MOTORCYCLE MUSEUM, COVENTRY ROAD, BICKENHILL, SOLIHULL, WEST MIDLANDS, B92 0EJ.
On the sixth day of November 1990
at 10.00 am
(1) to consider my proposals under s.23(1) of the Insolvency Act 1986 and to consider establishing a Creditors' committee.

A proxy form should be completed and returned to me by the date of the meeting if you cannot attend the meeting and wish to be represented in order to be entitled to vote at the meeting you must give to me, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim.

J.F. Powell - Joint Administrator,
Cork Gully, 43 Temple Row,
Birmingham B2 5JT

ACCOUNTANCY

The Financial Times proposes to publish this survey on:

30 November 1990

For a full editorial synopsis and advertisement details, please contact:

Micheal Rowlands
on 071-873 3349

or write to him at:

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UK COMPANY NEWS

Cost reductions behind Thames Water's 40% rise

By Andrew Hill

THAMES WATER, largest of the 10 water and sewage businesses in England and Wales privatised a year ago, pushed up pre-tax profits by 40 per cent to £113m in the six months to the end of September.

The group said a large part of the improvement had come from cost reductions in the core utility business.

Thames declared an interim dividend of 6p a share and repeated its pledge to increase dividends above the rate of inflation.

However, Mr David Luffrum, the group's finance director said shareholders could not assume the full-year dividend would be three times the interim pay-out.

The profits compared with £81m in the first half of last year, before privatisation, or £87m assuming the new capital structure had been in place at the beginning of April 1989. Turnover rose from £297m to £427m and earnings per share increased from a pro forma 20.4p to 27.3p.

The results were slightly ahead of City forecasts, and the shares slipped only ½p to 237p in a falling market. But analysts warned against drawing any firm conclusions from the interim results.

Mr Lakis Athanasiou of UBS Phillips & Drew pointed out that performance could only be assessed against the original obligations of the company under the new regulatory regime, which have not been published.

Operating profits were held back slightly by a small loss on non-core activities, including a nine-month contribution from PWT Worldwide, the water treatment business which Thames bought from Portals, the paper-making group, immediately after privatisation.

Mr Roy Watts, Thames' chairman, said PWT had been restructured since the acquisition and was expected to run into profit next year.

He added that Thames had looked at Caird, the waste management group which was the subject of an ill-fated bid from Severn Trent, a fellow water company, but its advisers counselled against launching a takeover.

Severn let its bid lapse last week after taking fright at the company's defence document. Mr Watts said the embarrassing withdrawal was not good for public perception of the privatised industry.

Thames is the first of the 10 water companies to announce its interim results. The other nine will publish their figures at the end of next month or beginning of December.

The group said it was still in negotiation with BAA, the former British Airports Authority, about the sale of land necessary to construct a fifth terminal at London's Heathrow airport. A deal could be announced within two months. BAA is likely to pay for the building of a new sewage treatment plant for Thames, to replace the existing works on the site.

Bankers detailed talks with Brent Walker under way

By Maggie Urry

Friends Provident has sold 650,000 shares in Brent Walker, the highly-geared leisure company. But the investment management group still has 1.648m Brent Walker shares, representing 3.29 per cent of the equity.

Friends Provident had a 4.5 per cent stake in Polly Peck International, the fruit, electronics and leisure group which went into administration last week.

Stock market observers noted that a large institutional seller had pushed the Brent Walker share price down sharply last Friday. That morning it fell from 72p to touch 19p before bouncing back.

Brent Walker's shares fell 4p to 51p yesterday, as investors digested the document covering its £103.3m convertible bond issue posted to shareholders on Monday.

Bankers said yesterday that detailed talks about varying the group's banking arrangements, described in the document, had already started.

One said talks would probably not be completed until the last practicable moment.

These talks cover the group's covenants and the repayment schedule for its debt, which on the most conservative basis totals £1.4bn. A banker said, "there is no point setting a repayment schedule that the company cannot meet."

Brokers said yesterday that when the Brent Walker bond starts trading its price is likely to be quoted as low as half the par issue price.

One said "no shareholder in his right mind will vote against the bond issue at the extraordinary general meeting." The meeting is to be held on November 15.

If shareholders did vote against, he said, they would be turning down cash raised on terms set in September which could not now be repeated.

Mr Walker said yesterday that he hoped soon to sell further film and television assets. On Monday the sale of Goldcrest for $33m (£17m) was announced. He said negotiations were in progress to sell the cable business to a US group for £4m and the post production activity for £6m.

He said Brent Walker had agreed to sell a third of the land at the Elstree film studios in Hertfordshire to Tesco, the food retailer, for £19.5m and he believed that planning consent obtained to build offices, a do-it-yourself store and a hotel would mean the rest of the spare land at Elstree would be worth £30m next year. Further, he said, he expected to at least recoup $16½m spent on making "Rock-a-Doodle", a cartoon about chickens, which would go on release next Easter.

This would bring the total raised from selling these assets to a few million pounds short of £90m, he said.

Powerscreen rises 12% to £9m and confident on second half

By Clare Pearson

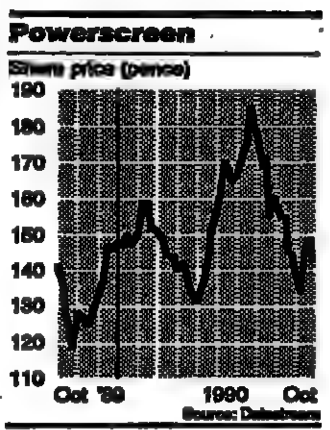
POWERSCREEN International, which makes and markets screening and crushing equipment, increased pre-tax profits by 12 per cent from £8.05m to £9.01m in the half-year to end-September. Sales came to £34.8m, a 10.5 per cent advance on the previous £31.53m.

Mr John Craig, chairman of the Northern Ireland-based company, said the board was confident of a successful second six months. He said that overall demand was strong.

The interim is lifted by 10.3 per cent to 1.6p.

Earnings per share in the first half slipped to 9p (9.3p). This was after a rise in the tax charge from 19.5 to 23 per cent. The company said it also reflected the August acquisition of Guzzler, the Alabama-based waste disposal equipment company where the £9.2m consideration was satisfied by a vendor placing.

In the US, the company's north eastern US operations were experiencing poor demand in line with the economy in those regions. But mid-western businesses were buoyant.



The share of North America fell from 45 to 38 per cent. But the UK held steady at about 30 per cent.

Europe continued the fastest growing market with demand spread across all west European countries. Europe increased as a proportion of sales from 20 to 29 per cent in the half-year.

The company said it remained keen to take advantage of suitable acquisition opportunities.

● COMMENT

With so many tales of woe emerging from other companies, the story from Powerscreen looks particularly cheerful. Aside from the fact that its mobile plant equipment has environmentally-sound applications, it adapts itself to a broad spread of industries ranging from mining, quarrying and construction to sewage disposal. There is some concern about demand in parts of the US at the moment, but Europe keeps going from strength to strength. Powerscreen was, for instance, fortunate enough to build up operations in West Germany ahead of reunification and its attendant expected boost to stone crushing activity. Pre-tax profits this year should rise from £14.55m to about £16.5m; this puts the shares on a prospective p/e of about 9, which looks a bit less than they deserve.

Acquisitions help boost Henry Barrett 23% to £12.5m

By Andrew Bolger

HENRY BARRETT Group, the Bradford-based steel and industrial products company, yesterday reported a 23 per cent increase in pre-tax profits to £12.5m in the year to August 31.

Turnover rose by 44 per cent to £139.66m but earnings per share fell 5 per cent to 19.98p, diluted by the issuing of new shares to fund acquisitions. The final dividend of 3.65p makes a total for the year of 5.65p, an increase of 11 per cent.

Of the 44 per cent increase in turnover, 26 per cent was organic growth and the remainder came from acquisitions.

Henry Barrett said that during the second half of the year, the group had experienced bad debts in excess of £3.15m, the majority of which were in the design and build activities of the steel buildings division. This cost had been largely offset by £2m of credit insurance cover.

The group said that in spite of investing over £20m on acquisitions and fixed assets, of which £9.4m was raised through issues of shares, group gearing was only 31.2 per cent.

Mr Guy Barrett, chairman, said: "The year ahead promises many opportunities for further developments of core activities, despite the downturn affecting UK industry – indeed more potential exists because of it. We intend to maintain our modest level of gearing and so remain in a strong position to capitalise on opportunities as they arise.

"In what is likely to be a tough year I have every confidence that the group's financial strength and strategic positioning will enable us to progress."

In steel buildings, the group said design and build volume had fallen markedly, with particular pressure on margins in the second half. Demand at its Westbury Tubular structures subsidiary remained high.

Yesterday the group said Westbury had just received its biggest order – a £4m contract to provide the main steelwork for the international rail terminal at Waterloo Station in London.

In its materials handling division, the group said a recent acquisition, Advanced Storage Systems, had proved disappointing and had been merged with Organised Storage Systems.

There had been pressure on margins in the general industrial sector, and lower than expected levels among edge-of-town retailers.

● COMMENT

Henry Barrett is a quality company, with a much-admired management team, but it is exposed to some of the toughest areas in a recession-hit economy – steel buildings for the retail and DIY sectors and steel stockholding. In spite of a strong performance from its special products division, these results were below expectations – largely because of losses on bad debts. House broker Panmure Gordon is forecasting profits next year of £13.5m, though another analyst goes as low as £11.5m. The shares, unchanged at 120p yesterday, are well down from their January peak of 279p after a couple of profits downgrades. Taking the house broker's more optimistic figure, the shares are on a prospective multiple of 5.7. That looks cheap for what should be a good long-term recovery stock. However, the grim economic outlook means shareholders need be in no rush to climb aboard just yet.

UK COMPANY NEWS

Delays could mean time for independence fight

Andrew Bolger on the implications of Davy Corporation's latest contract being nine months overdue

DAVY CORPORATION's involvement in a legal wrangle over yet another large, late-running contract came as unwelcome news to shareholders in Britain's largest independent engineering contractor.

Davy's shares yesterday closed at a new low for the year of 87p as the City considered the implications of the latest dispute which is over work for Exxon, the US oil company, at Britain's largest oil refinery at Fawley, near Southampton.

At that level, Davy is valued at £103.1m – less than half the £277m which the company was worth as recently as June 4. Analysts said the sudden collapse in the share price had threatened the independence of the British group, which had been bedevilled by disastrous contracts in recent years.

Esso, which is Exxon's British subsidiary, has terminated Davy's contract to to construct a residfiner at Fawley – a device which turns by-products of the refining process into gasoline and feedstock for the chemicals industry.

A weekend meeting in New York between senior executives from both groups failed to resolve the dispute and both sides are filing claims concerning the contract, which is running about nine months late.

Davy has blamed Esso's agreements with the trade unions at Fawley for denying it the flexibility and ease of access it needed to complete the work on time. However, Mr Ted New, a Southampton official of the Transport and General Workers Union, denied that the union agreement had put obstacles in Davy's way.

Mr New, the chief negotiator for all the engineering unions at the site, said Davy had been offered a choice of agreements when it had started work on the contract in 1987. The company had chosen to work under the Fawley agreement, as had most other contractors.

Mr New said none of the other contractors who had worked under the agreement, such as Wimpey and Costain, the construction companies, had found it difficult to complete on time. Davy had monthly meetings with the unions but never raised any concerns about the contraints placed upon it by the agreement.

Union officials at the site said the residfiner was still well short of coming onstream. One said: "It is one of the most incomplete projects I have seen."

Shares in Davy started to plunge in late June, after the company revealed losses of £25.6m in its offshore division. The main factor was provisions against losses on a £120m contract to provide a floating production platform for the Emerald oil field, east of Shetland.

Davy has filed claims totalling about £50m against its client, Midland and Scottish Resources, the USM-quoted oil and production services group. The engineering group said changes in the scope and timing of the work in Dundee had driven up costs and caused delays. MSR has counterclaimed for £5m and may submit a further claim for late delivery of the rig. It was due to be ready by August, but is now not likely to produce oil before the spring.

Mr Martyn Deaner, chairman of MSR, has dismissed Davy's claim as "nonsense", on the grounds that the contract was signed in December, 1988, on a lump-sum, turnkey basis – under which a contractor undertakes to complete the job specified for a fixed price.

Mr Derek Hawkins, Davy's finance director, said he could not comment on either contract.

Industry sources said Davy saw the Emerald contract as giving the group a route back into the offshore oil industry, from which it had retreated in the mid-eighties after the collapse in oil prices.

Davy formed a joint venture company with Gotaverken Arendal (GVA), the Swedish state-owned offshore technology company, which drew up a preliminary specification for the rig conversion in Dundee. However, GVA later pulled out and Davy was left with sole responsibility for completing what has proved to be a more complicated and expensive contract than was envisaged.

There have been extensive management changes at the yard. In March, Mr David Soley, chief executive of Davy's offshore division, left the group.

Davy's Dundee difficulties might not have received such a frosty reception had it not been for City memories of a disastrous desulphurisation plant contract in West Germany, which slashed profits in 1988.

When Davy announced a provision of £17.25m for losses on the £120m contract in the 1988 results, it also revealed that it had made an unidentified provision of more than £7m on the same £120m contract in the previous year. One analyst said: "Davy has never been forgiven by many people in the City for failing to identify the source of such a significant loss."

Davy countered that occasional provisions were an inevitable part of working on large-scale projects, but the group's continuing propensity to threaten its low profit margins with individual contracts which go wrong has revived questions about whether it is big enough to survive in a world market which is dominated by giants such as Bechtel of the US and Sumitomo of Japan.

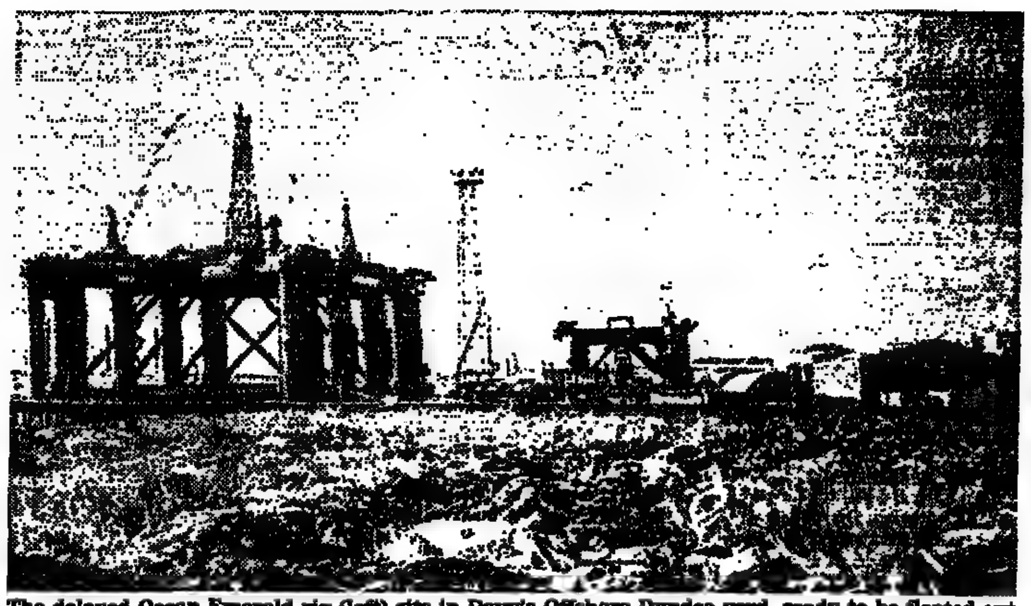
One immediate source of pressure on Davy may be Spie-Batignolles, the French construction concern, which took a 14.7 per cent stake in the British group in March in exchange for Clecim, the French group's subsidiary which designs and builds production plant for steel and other metal industries.

The French group, which was given a seat on Davy's board, has since seen the value of its stake fall from £41.1m to £15.14m. At the time of the deal Spie-Batignolles agreed not to lift its stake above 15 per cent without Davy's consent before the end of 1993. However, "one obvious solution to Davy's plight would be for the French to make an agreed takeover," an analyst said.

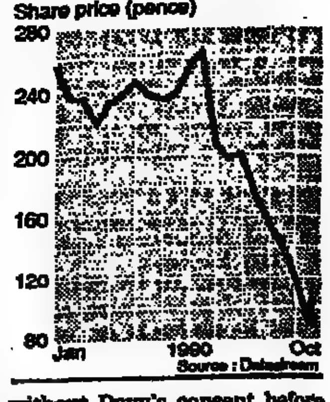
The French stake, which was seen by both sides as the start of a strategic alliance, is certainly likely to deter possible predators. But it is also likely that Sir Alistair Frame, Davy's chairman since January, is likely to fight to preserve the British group's independence.

Sir Alistair comes with a formidable management track record after spending 22 years at RTZ Corporation, the world's biggest mining group, the last five as chairman. He replaced Lord Jellicoe, a former government minister and leader of the House of Lords. Lord Jellicoe's main contribution to the group was seen to be in his government contacts and lobbying skills.

The difficulties at Fawley could not come at a worse time, with the Dundee losses already having convinced some analysts that the British group was vulnerable to takeover. Its interim results on November 21 will be keenly awaited. If Davy does give the City any more unpleasant surprises, it is likely to be the last time it will do so as an independent company.


The delayed Ocean Emerald rig (left) sits in Davy's Offshore Dundee yard, ready to be floated out for stability tests

Davy Corporation
Share price (pence)



US manufacturing base for Verson

Verson International, the Black Country-based maker of production systems for metal-working industries, is establishing a manufacturing presence in the US through the purchase of a Chicago factory in which it will make coil processing equipment, writes Paul Cheeseright.

Mr Tim Kelleher, chairman, said that, in addition, Verson intended to make three corporate acquisitions which would provide manufacturing capacity for presses, welding machinery and roll forming.

Spending in the US has so far totalled $4m (£2.05), of which $2.4m went on the Chicago factory. Of that $2.4m, one third was raised through the issue in the US of local industrial bonds. The group is planning the listing of its shares in the US in the form of American Depositary Receipts.

Wellcome sells vaccine lossmaker

Wellcome is negotiating to sell its loss-making human vaccines business to Medeva, the only other UK vaccine manufacturer, writes Clive Cookson.

Medeva plans to transfer Wellcome's vaccine production from Beckenham, Kent, to the vaccine plant run by its Evans Healthcare subsidiary at Speke near Liverpool.

Although Medeva will expand the Speke plant and will offer jobs to some Wellcome staff, there are still likely to be redundancies among the 250 people making and developing vaccines in Beckenham.

The two companies have not disclosed the price being discussed for the deal, but it is likely to be close to the £18.5m which Medeva is to receive from last week's sale of its over-the-counter drugs business to Boots.

COMMODITIES AND AGRICULTURE

Saudis aim for 10m b/d in 3 years

by Victor Mallet, in Riyadh

IN THE three months since Iraq's invasion of Kuwait, Saudi Arabia has rapidly increased its oil production from 5.5m barrels a day to between 7.8m and 8m b/d.

It is now working flat out to raise capacity to 10m b/d within the next three years, at the same time as making contingency plans for a possible war in the Gulf.

Saudi officials are anxious in the short term to ensure the flow of crude oil to the kingdom's customers while importing and *storing enough jet fuel* and other refined products to supply any allied war effort against Iraq.

In the longer term, they need to attract and keep scarce petroleum engineers and project managers and buy new equipment for their much-accelerated programme to expand capacity.

The extra production since August – equivalent to the entire output of a leading oil-producing country – has been achieved by *taking facilities in* the Safaniya, Marjan and Zuluf fields out of mothballs.

Total output of 8m b/d is sustainable and can be raised by mid-1991 to 8.5m b/d – or 8.7m if the output of the Arabian Oil Company, the Japanese joint venture in the Saudi-Kuwaiti neutral zone is included – without flaring gas or investing heavily in new machinery.

Saudi officials say they can do this by operating some equipment at slightly above the capacity estimated by *conservative planners at Saudi* Aramco, the national oil company. The only drawback is that most of the extra crude is *relatively* heavy and comes from fields close to the potential conflict zone near the Kuwaiti border.

To go above the plateau of 8.5m b/d, Saudi Arabia plans substantial new construction in virgin territory away from the vulnerable northern part of the country's eastern province, which has so far been the focus of the Saudi oil industry. As recently as a year ago Saudi Arabia was aiming for the 10m b/d target (last reached at the *height of the oil boom in the* early 1980s) only by 1998, and had earmarked US$15bn in capital spending for the 1990s.

Now it intends to exploit as quickly as possible reserves of light crude in the empty quarter desert in the south. It also *wants to develop ultra-light oil* finds near Riyadh which it hopes will soon yield 200,000 to 300,000 b/d.

The *main difficulty* is personnel. More than 500 of Saudi Aramco's 11,500 foreign employees – most of them *Asians* – have resigned following the Iraqi invasion. Others have sent their families home and a 15 per cent pay rise awarded in October for the duration of the crisis may not be enough to persuade them to renew their contracts. Saudi Aramco managers accept this and portray the wage increase as a "productivity allowance" to compensate for the increased workload as capacity rises.

After years of streamlining *by the world oil business in the* recent lean years, it is hard to find experienced staff and competition among oil producers is *stiff*.

Mr Ali Naimi, Saudi Aramco's chief executive, visited the US this month and is said to be *looking for* 800 Americans and Canadians to help with the expansion, including some more loaned employees from the four traditional Aramco partners: Exxon, Mobil, Texaco and Chevron. Overall, Saudi Aramco is hoping to boost its 43,000 strong work-force by more than 3,000, of whom more than 1,000 are likely to be expatriates.

Saudi Arabia also needs the sort of equipment which requires long lead times, including pipelines, compressors and gas-oil separators.

With a quarter of the world's reserves, there is no doubt about Saudi Arabia's domination of the oil markets. The kingdom is now trying to consolidate its position by diversi*fying production away from* the Gulf area by prospecting in the west, the south and the north.

The six successful wells south of the capital (five oil and one gas) are particularly promising, and analysts are *examining the faint possibility* that all six are part of one enormous field of ultra-light, low-sulphur oil.

Oil hearing rattles Nymex nerves

Barbara Durr hears defence against claims of excessive speculation

US FUTURES trading in oil has come under intense scrutiny in Washington amid charges that speculators have taken advantage of the Gulf crisis to drive up prices.

A few rash souls on Capitol Hill have suggested closing the New York Mercantile Exchange (Nymex), but calmer heads have prevailed. A Senate hearing is scheduled tomorrow *to examine Nymex's trading* since Iraq's August invasion of Kuwait, and, though not framed around legislation, it is stirring worries at Nymex about possible policies to come.

"We're certainly fearful that possibly unjustifiable and injurious actions might be taken because some believe that the oil price is being driven by speculation and panic," said Mr Patrick Thompson, Nymex president.

Patrick Thompson: fears injurious actions

There have been suggestions that tighter position limits on traders and higher margins could be imposed. *Nymex says this would render the market* less liquid and competitive and, consequently, more volatile.

An aide to Senator Joseph Lieberman, a Connecticut Democrat who called for the review of Nymex trading, said that the committee hearing is, for now, "educational".

To prepare himself against *accusations of excessive speculation*, Mr Thompson asked his research staff to produce a statistical picture of what has occurred at Nymex compared to other markets.

He found that during the last three months prices for Nymex's crude oil futures contract – against which there are 10 deliverable types of crude supplies – had followed in line with prices in the cash *market for West Texas Inter*mediate, Brent and Light Louisiana Sweet. "The price rises are not just national, they are international," said Mr Thompson. "There are real economic forces that are bringing this about."

He says no single player in the market has such control that he could dictate the price. This is supported by commercial oil hedgers. Mr Alan Kaufman, for example, president of Mount Lucas Associates, a company specialising in energy asset insurance for users and producers, says Nymex is an efficient market "where no one is big enough to force prices one way or another".

An examination of the top 25 end-of-day cumulative positions for September showed that 97.1 per cent of the long positions and 94 per cent of the short positions were held by commercial users, that is, enti*ties involved in the production*, processing, refining, marketing or other activity involving the physical ownership of the commodity.

Commercial users are thus subject to price risk and can be said to use the market to hedge legitimately these risks.

The use of end-of-day positions more accurately reflects the price effect than market movements during the trading day, Mr Thompson said. The results of this research "give us comfort", he said.

Mr Thompson, who will testify this week before the Sen*ate Government Affairs com*mittee, says he understands Washington's concern about oil prices given their effect on the national budget and their ability to accelerate the country's current downward economic spiral. But he says there is considerable misconception of the market.

The oil industry is often viewed as monolithically in favour of rising prices. But while these generally benefit producers many others, including refiners, marketeers and even vertically integrated oil companies, face price risk and compete to keep them low.

Nymex says speculators, who are generally independents, regard a volatile market as dangerous.

Also testifying before the committee will be a representative of the Commodity Futures Trading Commission (CFTC), the futures industry regulator.

Nymex feels sure of support during the hearing from the CFTC, whose chief, Mrs Wendy Gramm, has publicly praised the market for how it has handled the surge in oil futures trading since August. Mr Kaufman of Mount Lucas Associates, meanwhile, is having his best year yet in the energy asset insurance business. While this is a new concept, since starting the company in 1986 with a notional value of the barrels of oil insured worth about $30m, he says the amount has grown to $3bn.

Mount Lucas, which only *competes against about three* other companies offering this type of risk management, offers customised contracts that guarantee energy prices for whatever time frame needed by clients. It has had contracts with life spans of as much as seven years, though the average length for crude oil insurance contracts is three to five years.

The contracts are backed by financial guarantees from, among others, Germany's Metallgesellschaft.

Alcoa will revert to monthly reporting

By Kenneth Gooding, Mining Correspondent

ALCOA, the world's largest aluminium company, which last year caused a furious row in the industry by altering the frequency with which it reported statistics to US and international organisations, has had a change of heart.

One important consequence is that the International Primary Aluminium Institute (IPAI) will revert to reporting western world production and inventory statistics monthly from December onwards.

Alcoa (the Aluminium Company of America) switched to quarterly reporting a year ago because it claimed traders and speculators used the IPAI's monthly figures "to the disadvantage of the aluminium producers". The IPAI was forced to follow suit because, as a matter of policy, it does not make estimates.

After Alcoa said it would change back to monthly reporting, Mr Paul O'Neill, chairman, said: "It was a worthy experience and an experiment worth doing." However, quarterly reporting had made no difference to aluminium's price volatility and, as Alcoa still had the mechanisms in place, it would revert to monthly reporting – not only to the IPAI but also to the US Bureau of Mines and the US Aluminium Association.

Those who argue in favour of monthly reporting suggest that the IPAI statistics provide an invaluable guide to the state of the aluminium industry because every smelter in the western world contributes. They say no other industry has such an advantage.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes		
Aluminium	+3,775	to 173,500
Copper	−1,800	to 182,625
Lead	−150	to 45,425
Nickel	−498	to 3,182
Zinc	−875	to 86,675
Tin	−110	to 11,060

Cocoa export ban withdrawn

By William Keeling, in Lagos

NIGERIA'S proposed ban on the export of raw cocoa from January next year has been withdrawn.

A government statement said the decision was reached "in view of the inadequacy of cocoa processing facilities in the country".

However, the *statement* reiterated the need for such facilities if the hardships suffered by cocoa-farmers are to be alleviated.

Low gold prices hold back $1bn Lihir Island project

By Kenneth Gooding, Mining Correspondent

LOW GOLD prices are holding back the US$1bn development of the Lihir Island project in Papua New Guinea, the biggest known gold deposit outside South Africa.

"Although projected operating costs are relatively low, weak gold prices prevailing today yield project economics that are not as favourable as we would like," says Mr Frank Joklik, president of Kennecott Corporation, the RTZ Corporation subsidiary with management responsibility for the Lihir venture.

"The latest feasibility study showed a return on investment which we thought was too low – and so would any would-be financier."

But he insists that RTZ remains committed to the project and is making efforts to improve its economics.

New drilling is going on to search for more high-grade, near-surface ore which could be easily mined to improve the *cash flow from Lihir in the* early days of the mine's life.

At the same time, Kennecott is evaluating new developments in technology for processing difficult, refractory ores of the type found at Lihir in an effort to reduce the capital and operating costs projected in the feasibility studies. Capital costs have soared from US$700m in 1988 to $1bn, while expected cash operating costs are estimated to be $180 a troy ounce of gold produced, up from $130 a year ago.

Mr Joklik points out that, with known geologic reserves of nearly 20m ounces, Lihir is a huge gold deposit and "I am confident it will be developed in the next few years".

RTZ currently owns 80 per cent of the Lihir project with the other 20 per cent held by Niugini Mining, a subsidiary of Battle Mountain Gold of the US. It is expected that the *Papua New Guinea* government will take a 20 per cent share before mining begins.

Bankers suggest that it is virtually impossible – even for a financially-powerful group like RTZ – to raise project finance for schemes in Papua New Guinea following the closure of the Bougainville copper mine more than a year ago because of violence by secessionist rebels.

Mr Joklik insists that the attitude of would-be lenders is "very positive". The intention is to raise about 60 per cent of the cash required via non-recourse finance.

Among the would-be lenders is an as-yet-unidentified large Japanese trading house which wishes to develop a friendly, long-term relationship with RTZ, the world's biggest mining company.

Nonoc's new owners plan to resume nickel mining next year

by Greg Hutchinson, in Manila

MINING and smelting of nickel will resume early to mid 1991, the new owners of the mothballed Nonoc Mining and Industrial Corp, said yesterday.

Further investments in plant and machinery will increase by over 20 per cent, compared to production levels before the mine and plant closed in 1986.

Mr Jesus Cabarrus, a partner in Philnico Mining and Industrial Corp, which signed an agreement on October 12, 1990, repurchasing Nonoc from the government's *Asset Privatisation* Trust, said the group hoped for output of 62m lbs, up 12m lbs.

At a current nickel price of $3.90 a lb, the operation was expected to gross $241.8m a year, making it the single largest foreign exchange earner in the country. Its output would constitute some eight per cent of the Philippines' gross export receipts.

Mr Cabarrus told a news conference further earnings of $45.5m a year were expected from 3.5m lbs of cobalt processed annually at the site off Mindanao island. The cobalt price was calculated at $13 a lb.

The $480m nickel project is to be 20 per cent controlled by the Cabarrus family, an original owner before a strike and mounting debts closed Nonoc's operations, forfeiting the venture to a government bank.

The International Finance Corp will also take a 20 per cent stake, with the remainder of equity being raised through a private placement at or just *before start-up* and a public offering with shares being sold at a premium once production resumes.

The share placements and float are meant to fund half of the estimated $155m project start-up cost, a price that has been inflated by a large inventory of spare parts and reserves of coal, naptha and diesel because of the venture's remoteness.

"We didn't want to halt production just because we ran out of materials," said Ms Socorro Fragante, a financial consultant to the project attached to Sun Hung Kai Securities. She said the dead cost of a two to three-month inventory could be absorbed because of low production costs by world standards.

Financing, through commercial banks syndicated by the IFC, is expected to account for the remaining $77.5m, though no agreement has yet been reached. A $325m purchase price from the APT will be paid in installments over six years, *the funds coming from mineral* sales.

The Bureau of Investments, an offshoot of the Trade and Industry Department, has in principal given the venture "pioneer" status such as tax holidays. A production-sharing agreement with the Department of Natural Resources is also pending.

In 1992, a 25-year-old royalty agreement between Nonoc and the government will expire and the company wants to know its changed obligations well before.

MINOR METALS PRICES

Prices from Metal Bulletin.

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,680 −1,690 (1,630-1,680).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, *2.80-3.00 (same)*.

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2−2.20 (2.20-2.40).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 12.75−13.25 (13.00-13.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 175−190 (175-200).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.60−2.70 (2.69-2.75).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 35-49 (same).

VANADIUM: European free *market, min.* 98 per cent, $ a lb VO, cif, 2.45−2.55 (2.50-2.60).

URANIUM: Nuexco exchange value,$ per lb, UO, 11.45 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

Zinc prices fell sharply yesterday on the LME, cash metal shedding $42 to close at $1,299 a tonne. Three-month metal broke below previous support around $1,315/ $1,320 a tonne in morning trading. *Selling continued in the afternoon* in anticipation of three-month metal dipping to its long-term target of $1,250 in the near future. The market remains depressed by an amply supplied physical sector and worries about demand from some key sectors in the event of a further slowdown in the world economy. Copper prices continued to retreat, *although closing off the day's lows. Short* covering and profit taking purchases supported a somewhat oversold market in the afternoon. But the bear trend remains intact, based on fundamentals, and most operators still appear inclined to sell into any rallies, traders said. A 1,500 tonnes decline in LME warehouse stocks was generally expected. London cocoa ended the day sharply lower as speculative *and trade selling* pushed the market down to recent lows, dealers said. In New York platinum futures were sharply up at midday after a flurry of buying pushed the January contract as high as $432 a fine ounce.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$30.75-0.85y	+.95
Brent Blend (dated)	$35.70-5.80	+1.15
Brent Blend (December)	$34.70-4.80	[illegible]
W.T.I. (1 pm est)	$35.30-5.35y	+.80
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$373-375	+5
Gas Oil	$321-322	-1
Heavy Fuel Oil	$134-136	+1
Naphtha	$345-347	+3.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$375.00	+2.25
Silver (per troy oz)♣	417c	+8.00
Platinum (per troy oz)	$419.75	+1.00
Palladium (per troy oz)	$96.00	-0.75
Aluminium (free market)	$1885	-10
Copper (US Producer)	124⅞c	-17
Lead (US Producer)	50c	
Nickel (free market)	415c	-5
Tin (Kuala Lumpur market)	16.35r	
Tin (New York)	287c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	100.13p	+0.55*
Sheep (dead weight)†	141.58p	[illegible]
Pigs (live weight)†	70.23p	-3.5*
London daily sugar (raw)	$247.0q	+1.00
London daily sugar (white)	$308.0q	+2.50
Tate and Lyle export price	£234.50	+1.00
Barley (English feed)	£118.25v	+0.25
Maize (US No. 3 yellow)	£156.00	+0.75
Wheat (US Dark Northern)	£87	-4.00
Rubber (Dec)♥	50.50p	+0.25
Rubber (Jan)♥	50.75p	+0.25
Rubber (KL RSS No 1 Nov)	238.0m	+0.50
Coconut oil (Philippines)§	$310.0w	-5.00
Palm Oil (Malaysian)§	$302.5v	
Copra (Philippines)§	$212.5t	
Soyabeans (US)	£137	
Cotton "A" Index	83.20c	+0.85
Wooltops (64s Super)	407p	-1

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Nov. w-Dec/Jan z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	**Close**	**Previous**	**High/Low**
Dec	218.00	219.00	217.00 212.00
Mar	213.00	211.00	213.60 206.40
May	213.60	211.60	214.00 206.80
Aug	216.00	213.40	215.00
Oct	216.20	214.40	216.00 212.80
White	**Close**	**Previous**	**High/Low**
Dec	303.0	300.0	303.0 297.0
Mar	296.5	295.8	296.5 291.5
May	297.7	295.0	296.5 292.0
Aug	302.5	299.0	302.5 295.0
Oct	287.0	285.0	287.5 280.5
Dec	284.0	283.0	283.0
Mar	285.5	284.0	285.0

Turnover: Raw 1526 (1288) lots of 50 tonnes. White 2380 (879)
Paris- White (FFr per tonne): Dec 1497 Mar 1497, May 1492, Aug 1517, Oct 1456

CRUDE OIL – IPE			$/barrel
	Latest	**Previous**	**High/Low**
Dec	34.30	33.60	35.00 34.15
Jan	32.50	32.45	33.70 32.95
Feb	31.75	31.20	32.25 31.75
Apr	29.75	29.00	29.75
IPE Index	30.69	34.46	

Turnover: 6210 (13158)

GAS OIL – IPE			$/tonne
	Latest	**Previous**	**High/Low**
Nov	305.50	307.25	317.00 304.00
Dec	298.00	295.75	306.00 294.00
Jan	287.50	285.50	295.00 284.50
Feb	274.00	272.00	277.00 272.00
Mar	260.00	258.00	269.00 260.00
Apr	246.50	245.00	250.00 244.50
May	239.50	238.00	241.00 239.50

Turnover 10102 (12511) lots of 100 tonnes

COTTON
Liverpool- Spot and shipment sales in Liverpool for the week ending October 26 were 152 tonnes against 128 in the previous week.
JUTE
November/December: c and f Dundee; BTC $520, BWC $540, BTD $475, BWD $490, c and f Antwerp; BTC $505, BWC $505, BTD $455, BWD $455.

COCOA – London FOX			£/tonne
	Close	**Previous**	**High/Low**
Dec	648	669	665 648
Mar	690	712	707 688
May	722	737	735 717
Jul	742	760	754 739
Sep	763	781	768 762
Dec	791	809	[illegible]
Mar	819	835	830 822

Turnover: 6144 (3287) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 29 895.91 (917.90) 10 day average for Oct 30 897.54 (897.81)

COFFEE – London FOX			£/tonne
	Close	**Previous**	**High/Low**
Nov	565	564	[illegible]
Jan	587	582	592 585
Mar	575	572	580 574
May	584	582	586 582
Jul	600	600	604 600
Sep	616	614	619 615
Nov	627	629	[illegible]

Turnover: 4655 (3898) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 29: Comp. daily 73.12 (72.72). 15 day average 73.61 (73.90)

POTATOES – IPE			£/tonne
	Close	**Previous**	**High/Low**
Nov	70.0		66.0
Apr	143.0	149.0	143.0 141.5
May	161.5		160.0 159.8

Turnover 120 (105) lots of 40 tonnes.

SOYAMEAL – HI-PRO			£/tonne
	Close	**Previous**	**High/Low**
Feb	122.00	[illegible]	[illegible]
Jun	123.00	123.50	125.00

Turnover 1255 (100) lots of 20 tonnes.

FREIGHT FUTURES – IPE			$10/index point
	Close	**Previous**	**High/Low**
Nov	1275	1275	1280 1270
Jan	1240	1235	1250 1230
Apr	1190		1220 1190
Jul	1065	1080	1065
BFI	1308	1312	

Turnover 198 (227)

GRAINS – IPE			£/tonne
Wheat	**Close**	**Previous**	**High/Low**
Nov	114.45	114.30	114.40 114.15
Jan	118.70	118.60	118.70 118.45
Mar	122.50	122.40	122.35 122.30
May	126.00	125.70	126.00
Barley	**Close**	**Previous**	**High/Low**
Nov	113.40	113.10	113.25 113.10
Jan	117.35	117.35	117.35

Turnover: Wheat 71 (105). Barley 78 (77).
Turnover lots of 100 tonnes.

PIGS – IPE			(Cash Settlement) p/kg
	Close	**Previous**	**High/Low**
Feb	92.8	93.5	93.0

Turnover (33) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	**Previous**	**High/Low**	**AM Official**	**Kerb close**	**Open Interest**
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 18,513 lots
Cash	1890-900	1890-5	1890	1884-5		
3 months	1741-5	1741-4	1749/1725	1734-5	1738-40	71,728 lots
Copper, Grade A (£ per tonne)						Total daily turnover 15,946 lots
Cash	1349-50	1358-8	1351/1339	1342-3		
3 months	1339-40	1349-50	1339/1329	1334-5	1327-8	110,881 lots
Lead (£ per tonne)						Total daily turnover 1,777 lots
Cash	372-4	371-3	374/373	372.5-3.5		
3 months	375.5-6	374.5-5	376/374	375.5-6	375-6	10,731 lots
Nickel ($ per tonne)						Total daily turnover 1,768 lots
Cash	8925-75	9000-50	8900	8925-50		
3 months	8450-75	8525-50	8575/8450	8500-25	8425-50	7,827 lots
Tin ($ per tonne)						Total daily turnover 1,145 lots
Cash	6195-205	6180-200	6205	6200-5		
3 months	6190-200	6180-200	6200/6180	6195-200	6195-200	8,898 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,520 lots
Cash	1298-300	1340-2	1308/1298	1299-303		
3 months	1297-8	1326-7	1317/1292	1298-300	1292-3	15,967 lots

LME Closing £/$ rate:
SPOT: 1.9460 3 months: 1.9215 6 months: 1.9025 9 months: 1.8834

LONDON BULLION MARKET		
Gold (fine oz)	**$ price**	**£ equivalent**
Close	374¾-375¼	192¼-192¾
Opening	372¼-372¾	190¾-191¼
Morning fix	373.35	191.462
Afternoon fix	373.75	192.266
Day's high	375-375½	
Day's low	372¼-372¾	
Coins	**$ price**	**£ equivalent**
Maple leaf	385-391	198-201
Britannia	385-391	198-201
US Eagle	385-391	198-201
Angel	385-391	198-201
Krugerrand	374-377	192-194
New Sov.	88-90	45-45½
Old Sov.	88-90	45-45½
Noble Plat	424.75-431.65	218.55-222.05
Silver fix	**p/fine oz**	**US cts equiv**
Spot	212.20	413.65
3 months	219.50	422.00
6 months	226.30	430.20
12 months	239.15	446.35

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Jan	Dec	Jan
1700	114	95	22	42
1800	54	47	61	92
1900	21	20	127	[illegible]
Copper (Grade A)	**Calls**		**Puts**	
2500	161	149	21	51
2600	94	85	52	84
2700	47	54	105	158
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
550	88	46	2	28
600	45	28	18	50
650	19	12	33	87
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
650	54	73	6	33
700	22	47	24	57
750	7	31	59	91
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
3000		510		245
3050				
3100			85	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	**Previous**	**High/Low**	
Nov	379.7	373.7	378.0	378.0
Dec	381.7	375.6	382.5	374.3
Feb	385.6	379.8	385.5	379.0
Apr	389.1	383.4	389.8	383.0
Jun	393.0	387.3	387.2	387.2
Aug	396.8	391.2	397.0	396.0
Oct	395.2	395.2	0	0
Dec	404.6	399.2	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	**Previous**	**High/Low**	
Jan	437.5	418.5	438.0	417.3
Apr	441.0	423.8	443.0	422.3
Jul	444.0	428.7	444.5	429.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	**Previous**	**High/Low**	
Nov	421.7	412.9	0	0
Dec	424.5	415.7	425.5	413.6
Jan	428.5	417.7	426.0	426.0
Mar	433.6	424.7	434.5	423.0
May	439.5	430.5	441.0	428.9
Jul	445.6	436.5	445.0	438.5
Sep	451.7	442.5	0	0
Dec	460.4	451.1	459.5	455.0
Jan	463.0	453.7	0	0
Mar	469.6	460.3	466.0	460.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	**Previous**	**High/Low**	
Nov	117.55	118.30	118.00	117.00
Dec	115.55	117.20	116.50	114.80
Jan	113.20	114.70	113.50	112.80
Mar	110.30	111.30	111.00	109.60
Apr	109.35	110.35	109.35	109.35
May	108.40	109.40	108.70	108.30
Jun	107.50	108.60	107.60	107.50
Jul	106.70	107.70	106.80	106.40
Aug	106.00	107.00	106.00	106.00
Sep	105.30	106.30	105.80	104.90

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	**Previous**	**High/Low**	
Dec	34.40	34.68	35.75	34.80
Jan	33.10	33.38	34.40	33.60
Feb	31.75	31.88	32.85	32.35
Mar	30.35	30.68	31.30	31.00
Apr	29.35	29.60	30.45	29.70
May	28.40	28.87	29.40	28.80
Jul	27.65	27.18	[illegible]	27.45

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	**Previous**	**High/Low**	
Nov	9100	9136	9400	9170
Jan	9160	9167	9400	9260
Feb	9015	[illegible]	9150	9015
Apr	8040	8086	8300	8200
Jun	7655	7578	7670	7650
Jul	7500	7466	7619	7550
Aug	7575	7513	7600	7575

COCOA 10 tonnes;$/tonnes				
	Close	**Previous**	**High/Low**	
Dec	1148	1174	1167	1145
Mar	1210	1236	1227	1206
May	1250	1273	1264	1248
Jul	1285	1309	1297	1286
Sep	1315	1339	1330	1324
Dec	1368	1379	1369	1367
Mar	1398	1414	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	**Previous**	**High/Low**	
Dec	92.35	92.50	92.75	91.55
Mar	95.60	95.90	96.15	95.40
May	97.95	98.05	98.25	97.75
Jul	99.75	100.20	100.20	100.10
Sep	102.00	102.40	102.20	101.60
Dec	104.00	104.65	105.00	0
Mar	105.50	105.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	**Previous**	**High/Low**	
Mar	9.47	9.39	9.54	9.19
May	9.52	9.44	9.59	9.25
Jul	9.57	9.46	9.66	9.28
Oct	9.61	9.49	9.65	9.30
Mar	9.71	9.58	9.72	9.40

COTTON 50,000; cents/lbs				
	Close	**Previous**	**High/Low**	
Dec	74.50	75.54	75.80	74.65
Mar	74.75	75.13	75.65	74.75
May	75.00	75.29	75.55	75.00
Jul	75.25	75.26	75.55	75.20
Oct	67.30	68.45	68.50	68.40
Mar	67.60	67.75	67.75	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	**Previous**	**High/Low**	
Nov	116.10	115.50	117.00	115.60
Jan	112.15	110.60	113.55	111.00
Mar	112.65	111.00	112.75	111.00
May	112.65	111.25	112.60	112.50
Jul	112.90	111.25	113.00	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 30	Oct 29	mnth ago	yr ago
1717.5	1714.9	1765.9	1876.9

DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct 29	Oct 26	mnth ago	yr ago
Spot	125.50	125.92	127.16	130.09
Futures	127.90	127.75	129.60	129.38

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	**Previous**	**High/Low**	
Nov	590/4	590/4	594/6	590/0
Jan	607/6	607/4	611/4	607/0
Mar	622/2	621/4	626/2	621/2
May	635/0	635/4	639/0	634/0
Jul	644/2	646/6	648/6	644/0
Aug	643/6	645/6	649/0	643/4
Sep	622/0	625/4	627/4	622/0
Nov	615/2	618/2	619/4	615/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	**Previous**	**High/Low**	
Dec	21.88	21.78	21.90	21.69
Jan	22.12	22.08	22.16	21.99
Mar	22.56	22.51	22.63	22.45
May	22.91	22.90	23.02	22.85
Jul	23.16	23.18	23.25	23.11
Aug	23.11	23.17	23.25	23.11
Sep	23.05	23.10	23.15	23.05
Oct	22.77	22.80	22.80	22.73

SOYABEAN MEAL 100 tons; $/ton				
	Close	**Previous**	**High/Low**	
Dec	177.7	178.1	179.0	177.6
Jan	180.0	180.4	180.9	179.8
Mar	184.1	184.5	185.0	183.8
May	186.4	186.7	187.3	186.1
Jul	189.0	189.0	189.5	188.6
Aug	188.5	189.2	190.0	188.5
Sep	188.8	187.8	189.0	186.8
Oct	184.0	185.0	185.0	184.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	**Previous**	**High/Low**	
Dec	231/0	228/4	232/0	226/6
Mar	240/2	238/2	241/4	238/2
May	247/0	244/4	247/6	244/6
Jul	251/4	249/0	252/2	249/0
Sep	248/4	247/2	250/0	248/0
Dec	248/4	247/6	249/4	247/6
Mar	255/0	254/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	**Previous**	**High/Low**	
Dec	264/2	261/2	265/0	261/4
Mar	278/4	275/0	279/0	275/0
May	286/0	282/6	286/2	282/6
Jul	289/2	287/0	290/4	287/4
Sep	295/2	292/0	295/2	292/0
Dec	305/0	303/0	305/0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	**Previous**	**High/Low**	
Dec	77.05	77.32	77.70	76.95
Feb	74.45	74.52	74.87	74.35
Apr	75.02	75.10	75.40	74.90
Jun	72.85	72.92	73.15	72.80
Aug	71.35	71.40	71.65	71.32
Oct	71.62	71.80	72.10	71.62
Dec	72.17	72.20	0	72.17

LIVE HOGS 30,000 lb; cents/lbs				
	Close	**Previous**	**High/Low**	
Dec	51.42	51.48	51.72	51.05
Feb	49.55	48.47	49.60	49.20
Apr	46.75	46.75	47.05	46.65
Jun	50.50	50.50	50.92	50.30
Jul	50.95	50.85	50.96	50.65
Aug	49.25	49.35	49.25	49.00
Oct	44.77	44.90	0	44.75
Dec	44.75	45.02	0	44.75

PORK BELLIES 40,000 lbs; cents/lb				
	Close	**Previous**	**High/Low**	
Feb	60.30	60.95	61.00	59.32
Mar	59.95	60.82	60.85	59.30
May	59.90	60.45	60.65	59.45
Jul	59.05	59.50	59.50	58.70
Aug	56.90	57.87	57.55	56.90

هكذا من الأصل

LONDON STOCK EXCHANGE

Gloomy business survey hits equities

A GLOOMY survey of British business opinion put UK share prices back on the downward slope yesterday, driving the market down to within 45 FT-SE points of the 1990 low recorded at the end of last month. Continued uncertainties in the Gulf, reflected in higher crude oil prices, also discouraged equities, and there was little response in London to the easing in US credit policy by the Federal Reserve Board.

The FT-SE fell 28.2 to 2,033.9, the lowest of the day, with earlier falls extended as Wall Street opened the new session with a loss of 18 Dow points in London trading hours.

Trading volumes increased somewhat and traders identified some substantial lines of stock on offer in leading UK companies, Once again the institutions appeared unwilling to compete in the marketplace. A new wave of profits downgradings by analysts hit the financial and electrical sectors, both of which had already been downgraded some months ago when the City caught the first firm hints of the economic slowdown in British industry. In the case of the banks, the downgrades coincided with similar reratings of the German banking sector by London analysts, as well as the deepening clouds overhanging the entire US banking sector.

Account Dealing Dates		
First Dealings:		
Oct 22	Nov 5	Nov 19
Option Declarations:		
Nov 1	Nov 15	Dec 6
Last Dealings:		
Nov 2	Nov 16	Dec 7
Account Day:		
Nov 12	Nov 26	Dec 17

"New-time dealings may take place from 9.30 am two business days earlier.

Traders were discouraged to see share prices continuing to react sharply to broker downgrades and recession warnings, both factors which have been hanging over London for some months. The UK banking sector, at risk to problem loans to both the UK property and manufacturing sector, reacted sharply to the latest assault, led by analysts at Barclays de Zoete Wedd, the UK investment bank.

Equities opened nervously yesterday, with traders and fund managers aware that the impending quarterly business survey from the Confederation of British Industry boded ill for the immediate investment outlook. However, the CBI's disclosure that UK business confidence was at its lowest for the past decade sent share prices down further, extending the initial loss on the Footsie to 28 points.

A cautious attempt at a rally was stemmed when Wall Street turned sour in early deals, and for the final hour of trading London was at the mercy of a weakening New York market. UK traders were depressed to see Wall Street make little response to the monetary easing by the Federal Reserve or to optimistic views on the US economy from the Bush administration.

Seaq volume increased to 384.7m shares, but remained unimpressive; Monday's total of only 300m shares, after allowing for a single 50m-share deal in Barbican Holdings, was exceptionally low. Stock Exchange data on recent customer business confirms that investment business in equities has dropped back to the £550m to £650m daily range, which is considered insufficient enough to support the existing list of marketmakers in London.

"Equity strategists remain fairly optimistic, but the market keeps reacting bearishly," commented one senior trader at a UK securities house, which found its trading book yesterday tilted towards the buy side. While many strategists believe that the market could slide below Footsie 2,000, and even down to 1,880, they continue to recommend buying stock below 2,100. The debate is over to what extent the UK market has already discounted an economic recession, with the Gulf situation acting as the unpredictable factor in the equation.

FINANCIAL TIMES STOCK INDICES

	Oct 30	Oct 29	Oct 26	Oct 25	Oct 24	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.11	79.91	79.96	80.06	79.95	84.61	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.82	88.73	88.78	88.75	88.88	93.81	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1575.3	1600.0	1598.4	1617.5	1598.9	1721.4	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	168.9	168.1	170.6	172.7	169.8	219.5	378.5 (6/2)	163.2 (15/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2033.9	2062.1	2063.1	2088.7	2110.5	2142.8	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	984.93	998.47	-	-	-	-	-	-	-	-
Ord. Div. Yield	6.07	5.98	5.99	5.92	5.85	4.80				
Earning Yld %(full)	12.85	12.48	12.47	12.34	12.18	11.54				
P/E Ratio(Net)(☆)	9.58	9.73	9.71	9.82	9.95	10.47				
SEAQ Bargns 4.45pm	18,856	17,748	19,292	18,778	18,510	20,575				
Equity Turnover(£m)†	-	422.52	852.76	576.05	853.48	802.24				
Equity Bargains†	-	18,157	17,505	15,637	17,789	21,858				
Shares Traded (ml)†	-	229.1	318.4	272.4	375.0	316.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 9.43

Ordinary Share Index, Hourly changes Day's High 1595.3 Day's Low 1575.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1595.3	1587.9	1587.4	1586.4	1583.5	1584.1	1582.7	1583.0	1578.7

FT-SE, Hourly changes Day's High 2054.3 Day's Low 2033.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2054.3	2045.6	2044.5	2043.8	2039.7	2040.7	2040.3	2040.9	2037.7

FT-SE Eurotrack 100, hourly changes Day's High 991.19 Day's Low 984.87

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
990.97	990.90	989.27	986.29	986.55	985.46	985.71

GILT EDGED ACTIVITY

Indices*	Oct 29	Oct 26
Gilt Edged Bargains	100.8	117.1
5-Day average	102.4	101.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Sharp reaction by banks

THE BANKING sector came under pressure after Barclays de Zoete Wedd reduced its profits forecasts for Barclays and NatWest, and said it may trim its dividend and earnings estimate for Midland and its profits projection for Lloyds.

The securities house said that, contrary to market expectations, Barclays would make provisions this year and next against bad UK debts. As a result, BZW cut its 1990 forecast to £1.09bn from £1.273bn and the 1991 figure to £1.145bn from £1.45bn.

NatWest, BZW said, would be forced to make provisions against US and UK debts, and its profits prediction for this year was lowered to £720m from £885m and for 1991 to £792m from £1.18bn.

Barclays weakened 15 to 330p, NatWest was off 12 at 243p, Lloyds closed 7 down at 250p and Midland declined 10 to 177p.

Reuters falls

Reuters fell steadily in heavy dealing as the market reacted to a promised statement on trading. The company said early in the session that it would issue a statement on or before December 4, when a meeting with analysts would be held in New York. Sources close to the company said the meeting would be "sooner rather than later".

Reuters management had a presentation at the London offices of Nomura on Monday, but the company would not comment on whether further such meetings were due this week. Sentiment in the stock was also undermined by talk that Reuters shares controlled by Mr Rupert Murdoch, the Australian media entrepreneur, were being sold. Mr Murdoch's debt-laden empire has 4.77 per cent of Reuters, although part of the holding is in trust.

Reuters ended at the day's low of 697p, down a net 52. Turnover was a busy 5.8m.

BICC down

Cable manufacturer and construction company BICC saw one of the largest percentage falls of the day following a sharp cut in profit estimates.

The shares fell 25 to 336p on a turnover of 1.5m as brokers UBS Phillips & Drew moved back its forecast for 1990 profits from £215m to £190m and its 1991 figure from £230m to £180m after visiting the company yesterday.

Analyst Mr Nick Measham said: "The Spanish market has hit an air pocket, the US cable industry is undergoing a bout of severe competition and Australia is pretty weak."

Henderson Crosthwaite cuts its 1990 forecast by £7m to £200m and its 1991 figure by £16m to £200m.

Analyst Mr Richard Dyett said: "It now looks unlikely that 1990 profits will reach 1989 levels of £201m. It's not as if there are any specific problems, its just a general downturn."

Harrisons weak

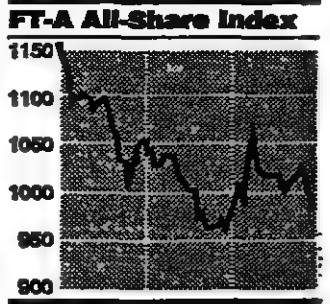
Harrisons & Crosfield's shares sustained an above-average loss as a seller experienced difficulty in placing a large line of stock. The market caught whiff of the business before two individual deals involving 3m and 2.7m shares appeared on the Seaq screen. Traders assumed that the trades represented the buy and sell sides of the same deal and that the balance of 300,000 shares was still around the market.

The fall in the Alpha-rated stock, a constituent of the FT-SE 100 index, was extended, and at the close ranged to 8 at 128p. Analysts believed an investment fund had realised a capital gain resulting from the stock's recent outperformance against the wider market. Most expressed negative views on the group's prospects after its interim figures. They cited the more difficult conditions in two of the three main areas of business, and also the rising fuel costs. Harrisons is expected to have a total fuel bill of £26m for this year.

Rank sell-off

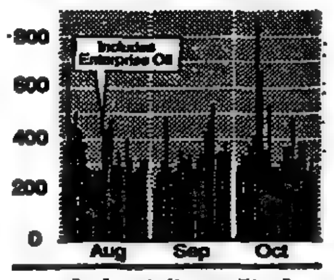
Sentiment in Rank Organisation suffered a reverse as a positive statement from the company was followed by talk of downgradings by market analysts. Rank, after an early gain, dropped 43 in the last 90 minutes of trading to end the day at 543p with a net decline of 36. Analysts were convinced that a broker close to the company had cut its profits forecasts.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



The shares had been strong in the morning session after the company said that the division incorporating the Mecca businesses, bought over the summer, would be fully operational on November 1. "The state of the Mecca business was as anticipated," said Rank, adding that synergy benefits would be worth £14.5m a year initially.

Bass fell 26 to 1016p as analysts pointed out that the stock had reached an all-time high against the FT All-Share Index.

An early short position in Scottish & Newcastle persisted long enough for the shares to show a gain of 5 at one point. They closed at 354p, up 2 on the day.

Civil engineering and construction concern Jackson Group announced interim profits of £1m, down slightly from last year. The dividend was left unchanged, but the company warned that reduced trading margins and increased interest charges would depress the group's second-half performance. The shares ended 10 down at 88p but well above the day's low of 73p.

Mersey Docks and Harbour fell 15 to 163p. On Monday, Peel Holdings announced its intention to dispose of its 10.8 per cent stake (6.5m shares) in the company.

Rechem Environmental Services capitalised on a "look to buy" recommendation from Kleinwort Benson. The latter's chemical team of Mr Tony Cox and Mr Jeremy Chantry expects lower interim profits when the company reports on November 6, but believes a strong second-half performance will boost the full year result to £11m, compared with £8.5m last year.

For 1991/92 the forecast is even higher, at £14m. The Kleinwort team said: "The shares have come back a long way and do not look expensive based on the 1992 numbers." Rechem closed 7 higher at 465p.

In spite of disbelief over a newspaper story that British Steel was planning to cut its dividend the shares lost 2 to 120½p – a significant move for the stock – on 5.3m turnover.

Car component maker GKN slipped 4 to 288p following bad news from the US car market, and Davy Corporation, the British engineering contractor, continued to slide as a result of a dispute over its Exxon refinery construction contract. The shares dropped 7 to 87p.

Powerscreen International, maker and marketer of screening and crushing equipment, receded 6 to 143p after announcing a small rise in interim profits and acknowledging the difficult trading climate. Siebe, the UK engineering group, lost its recent bounce and retreated 6 to 253p on the back of recent profit forecast cuts.

BAA shed 8 to 356p on a turnover of 2m on renewed speculation that ADT was going to offload some of its stake in the company. British Airways eased 3 to 139p on a turnover of 415,000, which one analyst said was the lowest he had seen in the stock.

Tibbett & Britten, provider of transport and distribution for the clothing and retailing industries, held up in a falling market, gaining 4 to 302p. Marketmakers attributed this to some buying in a normally illiquid stock.

Ratners rose 4 to 195p after S.G. Warburg said the shares had fully discounted the affect of weaker Christmas sales and now had no further to fall.

Unigate weakened 12 to 278p after Hoare Govett issued a sell recommendation. Hoare expected no earnings growth this year and believed any restructuring of the business which involved asset sales "would be difficult in this market".

William Low fell 28 to 331p after unexpectedly announcing a £37.9m rights issue.

Smaller-priced stocks felt the pain of the wider market, with Bluebird Toys falling 9 to 38p on talk of a line of stock overhanging the market. Scottish Heritable Trust was another on the slide, ending at 14p, down 9, while Whittington plummeted 5 to 12p on the passing of the interim dividend and half-time loss.

Beleaguered Burns-Anderson dropped 4 more to 6p in what a dealer described as an effort to find a trading level; last month it passed the interim dividend when reporting sharply lower profits. Burns-Anderson also warned that the "present recession is unlikely to improve until interest rates fall".

A flurry of late activity swept furnishings group Walker Greenbank 10 higher to 57p. Smith New Court, the securities house, bought heavily and a Jersey-based stakeholder was believed to now own 25 per cent of the group.

EW Fact slipped 5 to 101p on reports that former director Mr Peter Linacre (of Caird fame) had sold his near 11 per cent holding. Haemocell reacted 20 to 95p after announcing a £2.5m rights issue and a loss for the year.

Mount Charlotte advanced 6 to 72p when Sir Ron Brierley, the New Zealand entrepreneur, said he had gained control of the company. His 73p per share cash offer had valued Mount Charlotte at about £644m. Sir Ron bid in September when his purchase of a 10.1 per cent Mount Charlotte stake from the Kuwait Investment Office took his shareholding above 30 per cent.

The firm crude oil price had no discernible effect on the shares of the oil majors. The largest move of the day came from Lasmo, down 8 at 445p. Analysts said sentiment had been hurt by talk that the company would be buying part of Union Texas, the US company dismantling itself. Lasmo would probably have to issue equity to pay for such acquisitions.

A half-year profit of £113m for Thames Water was pretty much in line with expectations, but the share price fluctuated sharply during the day. Buyers emerged in the morning on expectations that a previously implied one-to-two ratio between interim and final dividends would result in an 18p total dividend for the year after the 6p interim.

However, analysts cautioned that this relationship might not be kept. One suggested that Thames had been a little generous with the interim at the expense of the final payment. For the full year, BZW forecast profits of £205m, while UBS Phillips & Drew went for £210m.

Property shares were mostly weaker. Mountleigh lost 8 to 58p, while Speyhawk shed 10 to 83p. On the other hand, UK Land was unmoved on news that the company is seeking shareholders' approval for an increase in its powers to buy its own shares up to a further 625,000. The company also announced an extraordinary general meeting to be held on November 29. The share price finished unchanged at 80p.

■ Other Market statistics, including the FT-Actuaries share index, Page 25

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (5).
BRITISH FUNDS (2) INDUSTRIALS (2) Apollo Metals, Rolls & Nolan, TRUSTS (1).
NEW LOWS (167).
AMERICANS (12) CANADIANS (3) BANKS (6) BREWERS (3) BUILDINGS (10) CHEMICALS (3) STORES (2) ELECTRICALS (10) ENGINEERING (19) FOODS (14) HOTELS (1) INDUSTRIALS (32) Anglo Utd., Apollo Watch Products, BSS, BTR Nylex, Bluebird Toys, Cargo Control, Cresta, Darby, Docks, Dyson (J & J), Electrolux, Expamet, Grampian, Handley-Walker, Hawtal Whiting, Hewitt (J.), IBA Intl., Johnston Group, Lilleshall, Lionheart, London Fin. & Inv., McLeod Russel, Melville, Morgan Crucible, Do. 7.5pc Cv. Pf., Plaxtons, Reuters, Scottish Heritable, Securiguard, Southern Business, Whittington, Wiltshire Cv. Rd. Pf., INSURANCE (3) LEISURE (3) MOTORS (3) PAPERS (6) PROPERTY (7) TEXTILES (4) TRANSPORT (7) TRUSTS (11) OILS (3) OVERSEAS TRADERS (3) PLANTATIONS (1) MINES (6) THIRD MARKET (2).

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or –	Yield (1)	Yield (2)
[illegible]						

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]							

CANADIANS

Continued on next page

APPOINTMENTS

Executive board posts at Price Waterhouse

■ PRICE WATERHOUSE has appointed the following partners to its executive board. Mr Ian Brindle becomes partner in charge of UK audit and business advisory services. He is chairman of the auditing practices committee of the consultative committee of accountancy bodies. Mr Eric Hetherington is made partner in charge of UK management consultancy services. Mr John Barnsley becomes responsible for UK tax services; and Mr Geoffrey Johnson is appointed partner in charge of UK operations, a new executive post.

■ BUTLER SERVICE GROUP INC has appointed Mr Iain R. Livingston as managing director of its international division. He was a director of Rank Xerox (UK) where he managed the associated business operations division. He will be based in Chertsey.

■ Mr Oliver Ross has been appointed general manager of the London branch of BANQUE BRUXELLES LAMBERT. He was assistant general manager in charge of corporate finance and corporate banking. Mr Ross replaces Mr Ivan Lenotte who has returned to Brussels to become secretary general of the bank.

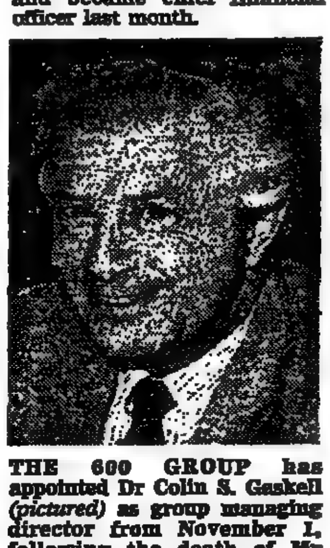
■ Professor Frank R. Hartley, vice chancellor of Cranfield Institute of Technology, has been appointed a director of NATIONAL WESTMINSTER BANK's eastern advisory board from November 1. He is a non-executive director of T&N.

■ ILLINGWORTH MORRIS has appointed Mr David Watkin as managing director of Globe Worsted Company, near Huddersfield. He retains his post as managing director of Daniel Illingworth and Sons.

■ The WINDSOR GROUP, a wholly-owned subsidiary of New York Life Insurance Company (USA), has appointed Mr Brian Wood *(pictured)* as managing director of Windsor Life Assurance Company, following the resignation of Mr John Wybrow.

Previously with Albany Life, Mr Wood joined Windsor Life in 1982 as chief financial officer. He was made appointed actuary in 1983, and joined the board in 1986. In 1987 he set up Windsor's marketing operation and became general manager in 1988.

■ Mr David F. Devoe has been appointed a director of the NEWS CORPORATION. He joined the company in 1983, and became chief financial officer last month.



THE 600 GROUP has appointed Dr Colin S. Gaskell *(pictured)* as group managing director from November 1, following the death of Mr Brian Carter. From 1979 until this year Dr Gaskell has been managing director of Marconi Instruments, a GEC company.

■ LOWNDES LAMBERT GROUP HOLDINGS has appointed to the board of subsidiary Lowndes Lambert Group Canada: Mr Philip Kane as chief executive; and Mr Mark Giacomini and Mr Glen Walker as directors.

■ CONFEDERATION LIFE INSURANCE COMPANY of Canada has made the following appointments from November 1 at its UK subsidiary based at Stevenage: Mr George L. Willman, vice president and associate general manager; Mr Jonathan C.H. Tate, vice president and director of investments; Mr Colin Wilkinson, vice president, group and investment products; and Mr Philip Smallwood, vice president, individual insurance.

■ Mr Jim Lightfoot, managing director, aerospace division, and Mr Colin Cocks, managing director, electronic systems division, have been elected to the board of DOWTY GROUP.

LAING & CRUICKSHANK, part of Credit Lyonnais Securities, has appointed Mr David Moore *(above)* as finance director from November 1. He was finance director, Brown Shipley Stockbroking, and director of information technology, broking division.

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13⅛	£9	ABN Amro Fl5	£9¼	–⅛	Q28%	2.1	9.0	5.2
303	155	ANZ SA1	155	–3	44c	1.4	11.5	6.1
233	172	Abbey National 10p	211	–1½	5.7	4.3	3.6	8.6
*274	128	Allied Irish Ord.	150	–1	Q40%	3.3	6.0	6.8
85	47	Anglo Irish	53	......	Q18.7%	2.7	7.9	7.6
93	61	Ansbacher (H.) 1p	65	....	2.5	1.3	5.1	18.7
£71¼	£32½	Bancaire Cie Fr100	£42	–¼	Q124%	–	3.1	–
£22⅛	£13⅝	Banco Bilbao Viz	£15½	+⅛	Q49.1%	2.7	5.2	10.6
286	136	Bank Ireland Ir£1	149	–2	Q14.7%	2.9	8.8	5.2
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
351	320	Bank Leumi (U.K.)	350	......	†15.0	–	5.7	–
129½	100	Bank Scotland	104	–1	†4.55	3.4	5.8	6.6
100¼	83¼	Do. 9¼pc Irrd Pf	94½	+½	9¼%	–	13.1	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	20.3
428	290	Barclays £1	332	–13	19.57	3.5	7.9	4.6
22	11	Benchmark 20p	11	......	0.75	–	9.1	–
335	238	Brown Shipley £1	240	......	12.0	2.2	6.7	7.8
*435	285	Cater Allen £1	335	....	24.5	–	9.8	–
179	37	Chancery	37	......	9.0	2.7	–	1.5
£23¼	£15¼	Commerzbk DM10	£15¼	–⅛	Q18%	–	4.1	–
£19⅛	620	Dai Ichi KBk Y50	700	–11	Q17%	6.2	0.5	33.0
£31	£194⅝	Deutsche Bk DM50	£203⅝	–4¼	Q28%	–	2.3	–
£20⅞	£14⅝	Espirito Santo	£15½	+⅛	Q75c	5.1	2.5	8.0
253	166	First Nat. Fin. 10p	169	......	13.0	2.1	10.3	5.8
121	82	FNFC 6.3pc Cv Pf	85	...	6.3%	–	[illegible]	–
£13⅛	633	Fuji Bank Y50	813	–66	Q17%	●	0.4	●
[illegible]	262	Gerrard & National	280	–1	19.0	–	9.0	–
154	89	Guinness Mahon 10p	89	–1	2.1	–	[illegible]	–
328	194	Hambros 20p	212	–1	11.5	–	7.2	–
128	88	Do. 7.5pc Cv Pf	94	......	7½%	–	10.6	–
53½	31½	HK & Shang HK$2.50	31½	......	Q38c	–	8.1	–
478	378	Joseph (Leo) £1	378	....	15.85	–	5.6	–
150	105	King & Shaxson 20p	118	...	10.25	–	11.6	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

هكذا منه التكمل

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MOTORS, AIRCRAFT TRADES — Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

For York Trust see Babcock Prebon

WATER

OIL AND GAS

OIL AND GAS — Contd

For KCA Drilling see Elyston Group

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
35	25	♦Ayer Hitam SM1	25	......	‡b053.3c	0.7	–
75	45	Gopeng Berhad M$0.50	45	......	Q11c	2.6	4.6
67	27	Malaysia Mng 10c	27	–2	Q7c	2.3	4.9
160	130	Petaling SM1	[illegible]	......	‡aQ180c	–	25.2
125	125	Sungei Besi SM1	[illegible]	......	–	–	–
90	90	Tanjong Tin 15p	[illegible]	......	–	–	–

Miscellaneous

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
190	90	Anglesey Mining 9p	[illegible]	–5	–	–	–
110	13	Do. Warrants	13	–5	–	–	–
17	7	Anglo-Dominion	7½	......	–	–	–
651	217	Bond Intl. Gold	[illegible]	–6	–	–	–
37	12	Butte Mining 10p	12½	......	–	–	–
44	8½	♦Colby Mines	[illegible]	......	–	–	–
122	25	Cons. Murch. 10c	25	......	Q30c	5.5	–
24½	7½	♦Ennex Intl. Ir10p	[illegible]	......	–	–	–
98	28	Europa Minerals 2p	28	–2	1.0	–	4.8
86	25	Geevor	26	......	–	–	–

THIRD MARKET

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Gr's	P/E
6½	3½	Moray Firth 1p	3½	......	–	–	–	–
45	25	Navan Resources	[illegible]	......	–	–	–	–
57	25	Ovoca Gold IR 2p	25	–1	–	–	–	–
72	22	Oxford Virology 5p	22	......	–	–	–	–
83	61	Poddington 5p	77	......	–	–	–	–
118	65	Ramsden's (Harry)	78	......	1.5	1.1	2.6	13.8
60	27	Rentaminster 5p	27	......	[illegible]	2.8	♦	5.3
38	7	Semperdova	[illegible]	......	–	–	–	1.8
38	17	Sleepy Kids 5p	17	......	–	–	–	–
3½	1¼	Systems Connections	2	......	–	–	–	–
94	48	Tomorrows Leisure 20p	48	......	1.0	4.4	2.8	8.7
58	27	UPL Group 10p	32	......	–	–	–	–
89	16	Video Magic Leis. 1p	18	+2	–	–	–	–
6½	2¼	Vista Ents 5p	2¼	......	–	–	–	–
5½	1¼	Wilton Group 1p	1½	......	–	–	–	5.1

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¶¶ Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- ● Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✱ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1 γ	700	......
Finlay Pkg. 5p γ	40	......
Holt (Jos) 25p γ	1385	......

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£98¼	......
9pc Cap Ln. 1996	£93½	......
Fin. 13% 97/02	£110¾	......
Arnotts	175	......
Carrol (P.J.)	182	......
Helton Hldgs.	44	–2
IRG	153¼	......
United Drug	130	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¾
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd.	39
ICI	78
Ladbroke	22
Legal & Gen.	29½
Lex Service	20
Lloyds Bank	21
Lucas Inds.	11
Marks & Spencer	18
Midland Bk.	20
Nat West Bk.	18
P & O Dfd.	42
Polly Peck	40
Racal Elect.	14
RHM	23
Rank Org Ord.	49
Reed Intnl.	30
STC	19½
Sears	8½
SmKl. Beecham A.	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	58
Vickers	19
Wellcome	38

Property

Stock	p
Brit Land	24
Control Secs.	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Stock	p
Aviva Petlm.	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm.	20
Gaelic Res.	2
Premier	8½
Shell	40
Tuskar Res.	6
Ultramar	31

Mines

Stock	p
Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, [illegible] London [illegible] Tel: 071 – [illegible]

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Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 372156

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	55.15	55.15	58.68	-0.64	1.31
Australia	5	136.6	136.6	146.9	-1.5	3.24
Equity	5	97.07	97.07	104.4	-0.4	0.66
Euro Spec Sits	5	23.85	23.85	25.62	-0.57	3.38
Financial	5	56.49	56.49	60.74	-0.59	0.00
Global Opps Inc	5	56.91	56.91	61.20	-0.39	0.00
Global Opps Acc	5	53.28	53.28	57.94	-0.16	1.05
Gold & Gen Inc	5	65.76	65.76	70.72	-0.21	1.05
Gold & Gen Acc	5	84.58	84.58	91.00	[illegible]	6.81
Income	5	117.2	117.2	126.0	-0.1	0.00
Japan & General	5	17.34	17.34	18.67	-0.02	14.21
Preference Share	5	74.95	74.95	80.49	-0.17	4.34
UK Capital	5	51.47	51.47	55.28	-0.58	6.39
Worldwide Capital	5	143.1	143.1	154.0	-1.4	3.55

Templeton Unit Trust Managers Ltd (1200)F
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Growth Acc	6	89.06	89.85	96.09	-0.68	3.82
Global Growth Inc	6	85.57	86.32	92.33	-0.65	3.81
Global Balanced Acc	6	89.92	90.43	96.71	-0.47	5.04
Global Balanced Inc	6	83.77	84.24	90.10	-0.43	5.04
Value Tst Acc	6¼	66.24	67.24	71.92	-0.57	4.79
Value Tst Inc	6¼	64.59	65.56	70.12	-0.56	4.79
Intl Fixd & Cr'Ue Inc	3	88.52	89.82	94.30	—	9.84
Intl Fixd & Cr'Ue Acc	3	85.42	86.68	91.00	—	13.84

Thornhill Unit Trust Managers Ltd (1200)F
28 St John's Sq, London EC1M 4AE 071-251 6767

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital	5	46.37	46.63	49.60	—	—
Overseas	5	39.95	40.11	42.66	—	—

Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq, London W1M 0DH 071-493 7262
Dealing 071-493 8545

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Exmt Oct 31	35.8	37.2	-1.40	2.91
Euro Exmt Oct 31	47.4	49.8	+0.20	2.64
Fixed Int Ex Oct 31	43.7	44.8	—	10.64
Japan Exmt Oct 31	42.0	43.8	-0.90	0.84
Managed Ex Oct 26	38.2	39.7	—	5.41
SE Asia Exmt Oct 31	55.3	58.0	-0.80	4.64
Sm Cos Exmt Oct 31	29.5	30.9	-0.20	4.97
UK Eqty Ex Oct 31	35.9	37.6	-0.90	5.21

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
Small Co's Oct 3	587.8	634.6	—	5.55
Do Accum	653.7	703.2	—	5.55
Int Exmt Oct 24	146.9	149.2	—	4.41
UK Index Oct 3	955.0	975.6	—	3.25
Do Accum	1009	1029	—	3.25
ConvertSlo Oct 26	77.19	79.78	—	9.98
World-ex UK Index Oct 22	648.6	657.6	-18.2	2.38
Do Accum	648.6	657.6	-18.2	2.38
Japan Index Oct 29	561.7	569.9	-13.1	0.65
Do Accum	562.8	570.9	-13.1	0.65
USA Index Oct 22	699.0	709.8	-31.3	4.07
Do Accum	708.9	713.6	-31.8	4.07
Europe ex UK Index Oct 29	792.7	812.5	-9.3	3.01
Do Accum	805.0	825.0	-9.5	3.01
Pacific ex Jap Index Oct 29	732.7	753.9	-1.3	5.52
Do Accum	746.5	768.0	-1.4	5.52
Managed Exempt Oct 24	88.97	90.68	—	5.75
American Exempt Oct 24	96.76	98.48	—	4.26
European Exempt Oct 24	104.6	105.9	—	3.28
Japan Exempt Oct 24	107.2	108.4	—	0.08
Pacific Basin Oct 24	99.25	102.0	—	4.28

NM Rothschild Asset Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
NC Managed	51.2	54.5	-0.2	4.35
NC Property	174.3	191.2	—	—

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Exempt Accum	117.6	118.6	—	4.25

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Acorn Life Assurance Co Ltd

Allied Dunbar Assurance Plc

American Life Assurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Century Life Plc

Citicorp British National

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insur Plc

Assicurazioni GENERALI SpA

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manulife Group PLC

Marchester Unity Assurance

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Co Ltd

N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Inv. Fund

Edinburgh Fund Mngrs PLC

Robert Fleming Asset Mngt Ltd

Foreign & Colonial Pens Mngt Ltd

Henderson Unit Trust Management Ltd

Lazard Brothers & Co. Ltd

Local Authorities Mutual Invest. Tst

M & G Securities

Morgan Grenfell Unit Trust Managers Ltd

Continued on next page

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National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	299.0	314.8	−1.5	−
UK Equity	373.5	393.2	−2.4	−
Overseas Eq.	285.7	300.8	−2.4	−
Americas	202.1	212.8	−1.0	−
Far East	313.9	330.5	−3.3	−
Property	190.6	200.7	−0.2	−
Fixed Int.	231.6	243.8	+0.3	−
Indexed Gilt	144.2	151.8	+0.3	−
Deposit	171.5	180.6	----	−
Pension Fund (Accum Units)				
Managed	413.6	435.4	−2.0	−
UK Equity	475.2	500.3	−2.9	−
Overseas Eq.	471.5	496.4	−3.5	−
Americas	268.3	282.5	−1.6	−
Far East	523.8	551.4	−4.2	−
Property	236.4	248.9	−0.3	−
Fixed Int.	281.0	295.8	+0.2	−
Indexed Gilt	158.4	166.8	+0.4	−
Deposit	235.7	248.2	+0.1	−
NPI Pensions Management Ltd				
Managed Fund	908.9	925.1	----	−

Prices Oct 1 Next dealing Nov 1

Norwich Union Asset Management Ltd

PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	60.2	63.4	−0.3	−
Stock Market Mngd Fund	56.7	59.6	−0.5	−
Equity Fund	64.2	67.6	−0.5	−
International Fund	50.0	52.6	−0.5	−
European Fund	61.1	64.3	−0.5	−
North American Fund	46.6	49.0	−0.2	−
Pacific Fund	52.5	55.3	−0.6	−
Property Fund	86.5	91.0	----	−
Fixed Interest Fund	52.5	55.3	+0.1	−
Index linked Sec Fund	58.5	61.6	+0.2	−
Deposit Fund	65.8	69.3	----	−
NUAM Retirement Plans				
Mixed Fund	65.3	68.8	−0.3	−
UK Ordinary Share Fd	73.8	77.6	−0.6	−
International Fund	54.6	57.5	−0.4	−
Property Fund	84.5	89.0	----	−
Fixed Interest Fund	62.7	66.0	+0.1	−
Index Linked Sec Fund	61.9	65.2	+0.3	−
Deposit Fund	76.4	80.4	----	−

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Total Investment Bond				
UK Equity Initial	127.6		−0.8	−
UK Fixed Int Initial	107.2		−0.1	−
Intl Equities Initial	104.5		−0.3	−
UK Managed Initial	104.4		−0.5	−
Property Initial	165.8		----	−
Money Initial	84.1		----	−
Special Markets Initial	96.7		+0.1	−
Japan Equity Initial	78.3		−1.4	−
North American Initial	60.5		−0.4	−
Pacific Initial	61.4		−0.8	−
Technology Initial	86.6		+3.2	−
Nat Resources Initial	43.7		−0.6	−
European Initial	82.1		−0.9	−
Residential Prop Init	93.9		----	−
Swiss Equities Initial	29.8		−0.2	−
Hong Kong Initial	43.8		−0.7	−
UK High Inc Eq Init	57.5		+0.4	−
Int Fixed Interest Init	49.4		+0.1	−
Int Managed Init	49.7		−0.2	−
HIP Managed Init	95.4		−0.3	−
HIP Managed II Initial	85.1		−0.2	−
Broker Funds				
High Performance	61.4	64.7	−0.5	−
Townhill Mngd Fd Acc	34.6	36.4	−0.2	−
YRA Executive Fd	84.5	89.1	−0.4	−
£ Global Growth Acc	112.5	118.6	−0.4	−
£ High Income Money Acc	132.3	139.5	+0.1	−
IM Balanced		46.6	−0.1	−
H.F. Speculator Fd		116.3	+0.3	−
PEP Acorn II		103.1	----	−
PEP Cautionary		66.9	----	−
AAFS Int Man Fund		107.2	----	−
Andrews-Green Inv Port		77.6	−0.4	−
Individual Pension Funds				
UK Equity Acc	201.4	212.5	−1.3	−
UK Fixed Interest Acc	194.4	205.1	−0.2	−
Intl Equities Acc	196.2	207.0	−0.8	−
UK Managed Acc	164.1	173.1	−0.9	−
Property Acc	211.3	222.9	----	−
Money Acc	149.6	157.9	+0.1	−
Special Market Acc	194.6	205.3	+0.3	−
Japan Equity Acc	158.9	167.7	−2.9	−
North American Acc	95.3	100.6	−0.6	−
Pacific Acc	146.8	154.9	−2.2	−

Sun Alliance International Life

PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or −	Yield Gross
North America Equity $	$7.86	8.46	----	−
Pacific Equity $	$7.50	8.08	----	−
Intl Currency $	$4.20	4.53	----	−
Intl Bond Fund $	$6.81	7.33	----	−
Gilt Fund £	£3.95	4.25	----	−
US Dollar Mngd Fd $	$1.60	1.72	----	−
Stg Managed Fd £	£1.00	1.07	----	−

Target International Group

1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

	Bid Price	Offer Price	+ or −	Yield Gross
Sterling Pens Plan	£0.70	0.76	−0.01	−
US Dollar Pens Plan	$0.70	0.76	+0.01	−
Yen Pens Plan	Y242	259	+6	−
Ecu Pens Plan	Ecu0.63	0.68	−0.01	−
Sterling Man Fd	£0.97	1.03	−0.02	−
Sterling Fixed Int Fd	£1.54	1.63	----	−
US Dollar Man Fd	$1.11	1.18	−0.05	−
US Dollar Fixed Int Fd	$1.41	1.49	----	−
Ecu Bond Fd	Ecu1.07	1.14	----	−
Davenport Cheltenham £ Fd	£0.77	0.83	−0.01	−
Davenport Cheltenham $ Fd	$0.48	0.53	----	−
Davenport Chad £ F.I.	£1.08	1.17	----	−
LWI Universal Stg Mngd	£0.76	0.79	----	−
LWI Universal $ Mngd	$0.63	0.65	----	−
Matheson £ Pens	£0.75	0.79	−0.61	−
Matheson $ Pens	$0.80	0.85	----	−
EDM MIM £	£0.86	0.93	----	−
EDR MIM $	$0.95	1.02	----	−
Royal Wessex Fund	£0.71	0.742	+0.002	−
Wessex Special Sits	£1.00	1.043	+0.002	−
Protocol $ Managed	$0.93	0.971	−0.001	−
Protocol £ Managed	£0.97	1.017	−0.015	−
Argent Stg Bal		£10.64	----	−
Argent Stg Eqty Gth		£11.22	----	−
OFS/James Capel Mgd Gr £		£1.03	----	−
OFS/James Capel Mgd Gr $		$1.11	----	−
OFS Aggressive $		$0.91	----	−
OFS Mngd Growth $		$1.17	----	−
OFS Oil Balanced Port		$1.13	----	−
Mgd Composite No.1	$0.86	0.93	----	−
Mgd Composite No.2	$0.91	0.98	----	−
Zero Bd Mngd Comp	$0.91	0.98	----	−
Zero Bond Mngd Comp 2	$0.86	0.93	----	−
Japan Mngd Comp	Y968	1036	----	−
Environment Mgd Comp	$0.82	0.89	----	−
CH 18	SFr1.09	1.17	----	−
LX 18	$1.07	1.16	----	−

J. D. Ward Financial Services Ltd

9 Kingsway, London, WC2 B6XF 01-836 4321

	Bid Price	Offer Price	+ or −	Yield Gross
Target Mngd Bond	183.5	193.2	−0.3	−
Target Mngd Pension	112.0	117.9	−0.2	−
Albany Life Acc	165.2	173.9	−0.3	−
Albany Pens Acc	204.1	214.8	−0.5	−

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Grs
Orion Fund Limited — 6 Front St., Hamilton, HM11, Bermuda 809 295 4006						
Orion			$−	4.8907	----	−

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

UK Agent: Ivory & Sime Plc. One Charlotte Square, Edinburgh EH2 4DZ 031-225 1357

	Canc. Price	Bid Price	Offer Price	+ or −	Yield Grs
CIBC Nth America Inc*	C$−	2.49		----	−
Amrrox Stg Equis	£−	1.09		----	−

*Dealing Thursdays-Forward. Redemption Fee 1%

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

هكذا من الأصل

OFFSHORE AND OVERSEAS

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JERSEY (SIB RECOGNISED)

JERSEY (REGULATED**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Profit-taking cuts dollar gains

THE DOLLAR finished slightly firmer in London, but well below the day's peaks. It rose above DM1.5250 and Y130.00 on stronger than expected US gross national product growth, but failed to hold above these technical resistance levels, falling back on profit-taking.

Third-quarter GNP growth of 1.8 per cent exceeded Wall Street forecasts of around 1.0 per cent, and was much higher than the second quarter's 0.4 per cent gain. This boosted the dollar to a peak of DM1.5285 and Y130.25. Also, a rise of 3.4 per cent in the implicit price deflator, a measure of US inflation, was lower than estimates of about 4.6 per cent, but the dollar soon receded.

Economists suggested that the data were not sustainable and warned that consumer spending, which comprises about two-thirds of GNP, is likely to slow in the fourth quarter as higher energy prices sap consumer confidence.

At the London close the dollar had improved to DM1.5185 from DM1.5165; to Y129.10 from Y128.40; to SFr1.2890 from SFr1.2865; and to FFr5.0825 from FFr5.0775. On Bank of England figures the dollar's index rose to 61.0 from 60.6.

Sterling traded nervously, waiting to see whether signs of recession in UK manufacturing leads to an early cut in bank base rates. The latest industrial trends survey from the Confederation of British Industry was not encouraging, but it did not come as a surprise after a similar survey from the British Chambers of Commerce earlier in the month.

Britain's isolation from its European partners on the question of economic and monetary union also tended to weigh on the pound, leading to a slight downward drift. Mrs Margaret Thatcher, the UK prime minister, reaffirmed her attitude when she told parliament that "we would not be prepared to have a single currency imposed upon us". She added that the Delors plan for an imposed single currency struck at the heart of parliamentary democracy and was an ill-defined idea being pushed too far too soon.

Sterling fell 55 points to $1.9480. It also declined to DM2.9575 from DM2.9625; to FFr9.9000 from FFr9.9175; and to SFr2.5100 from SFr2.5125, but rose to Y251.50 from Y250.75. The pound's index gained 0.1 to 94.8. In New York, sterling rebounded to end 85 points stronger at $1.9565.

Currencies held fairly steady within the exchange rate mechanism of the European Monetary System. European Commission figures showed sterling 0.59 per cent above its central rate against the weakest placed lira, compared with 0.41 per cent on Monday. The strongest positioned peseta was 3.82 per cent above its central rate in terms of the lira, against 3.88 previously.

The Australian dollar eased in London to 78.25 US cents from 78.40. Earlier in Sydney it climbed to 78.70 before receding on rumours of Reserve Bank of Australia intervention.

$ IN NEW YORK

Oct.30	Close	Previous Close
£ Spot	1.9560-1.9570	1.9485-1.9495
1 month	1.02-1.00pm	0.97-0.96pm
3 months	2.73-2.70pm	2.75-2.72pm
12 months	8.35-8.25pm	8.53-8.48pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 30	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	133.631	129.222	-3.30	3.82	55
Sterling	0.696904	0.695562	-0.19	0.59	4
Belgian Franc	42.4032	42.4203	0.04	0.35	2
French Franc	6.89509	6.90011	0.07	0.32	0
German D-Mark	2.05586	2.06143	0.27	0.12	-12
Irish Punt	0.767417	0.769467	0.27	0.13	-8
Dutch Guilder	2.31643	2.32361	0.31	0.08	-11
Danish Krone	7.84195	7.87161	0.38	0.02	-14
Italian Lira	1538.24	1544.31	0.39	0.00	-15

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

STERLING INDEX

POUND SPOT - FORWARD AGAINST THE POUND

CURRENCY MOVEMENTS

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY RATES

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

* Selling rate

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
October	1612.0	1609.0	-19.0	1616.0	1601.0	5,758
November	1617.0	1611.5	-22.5	1621.0	1605.0	5,519
December	1626.0	1626.0	-12.0	1626.0	1626.0	440
March	-	-	-	-	-	-

Estimated volume 12,013 Total Open Interest 11,717

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Rockurgie Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16½	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	15½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	15	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh.	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates fall

INTEREST RATES fell on the London money market yesterday following a pessimistic survey by the Confederation of British Industry. This showed business optimism at its lowest level for 10 years confirming "the clear warning of recession we gave in July, as well as the less promising outlook for exports," according to Mr David Wigglesworth, chairman of the CBI economic committee.

Three-month sterling interbank fell to 13⅞-13$\frac{11}{16}$ per cent from 13⅞-13$\frac{13}{16}$ and 12-month money declined to 12⅞-12$\frac{13}{16}$ per cent from 13-12$\frac{15}{16}$.

UK clearing bank base lending rate
14 per cent
from October 8.1990

Short sterling futures rose on Liffe as traders took the view that the authorities may be tempted to cut bank base rates before the year-end in reaction to the government's poor standing in opinion polls and the threat of recession.

December short sterling opened unchanged at 86.67 and touched a peak of 86.87 before closing at 86.86 against 86.67 previously.

The Bank of England initially forecast a day-to-day credit shortage of £700m on the money market. This was revised to £750m at noon.

Total help of £705m was provided. Before lunch the authorities bought £306m bank bills in band 1 at 13⅞ per cent. In the afternoon another £249m bank bills were purchased in band 1 at 13⅞ per cent. Late assistance of around £150m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £787m, with exchequer transactions absorbing £20m. These outweighed a fall in the note circulation adding £85m to liquidity and bank balances above target of £10m.

In Frankfurt call money eased to 8.00 from 8.05 per cent as the Bundesbank set a two tranche tender for securities repurchase agreements by offering 33-day and 63-day funds at veriable bid rates. The offer replaces two pacts worth DM27.7bn expiring on Friday. Despite the slight easing of call money, conditions have been tight on the domestic money market for some time, leading to suggestions that the Bundesbank may consider introducing a flexible Lombard emergency financing rate, set each week in line with rates paid at the repurchase tenders.

In Brussels the Belgian Nation Bank cut the rate on four-month paper, issued by the Securities Regulation Fund, by 0.05 per cent to 8.90 per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

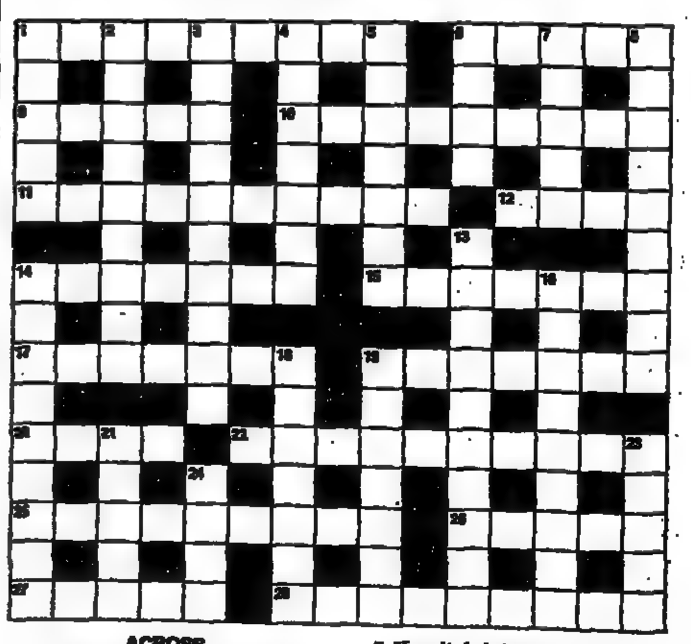
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,381 Set by FETTLER



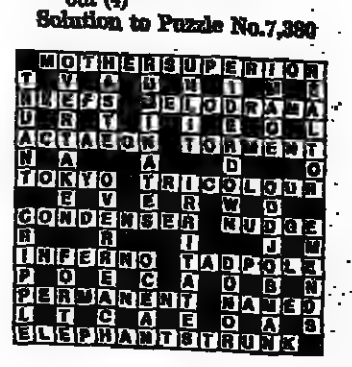
ACROSS

1 Holy day when saint once materialised in a huff (9)
6 Returning to obscure it, I'm afraid (5)
9 Drake bowled, then ransacked (5)
10 Trim trees badly; there's a term for it (9)
11 Utter tender name, such as darling (10)
12 Gipsy girl featured in Tchaikovsky's music (4)
14 Terpsichorean event for one who'd dance (7)
15 Humming in Greek play (7)
17 Certain idiot rued folly (7)
19 One eventually casting off vulgar trinket (7)
20 Puss indiscriminately laps (4)
22 Such allegations stars noise abroad (10)
25 Exaggerate what can be supranational (9)
26 Girl, very sweet, capturing heart of uncleship (5)
27 Shoemenders have to remove blemishes (5)
28 Being dashingly sceptred, E is highly regarded (9)

DOWN

1 Arranging super prize (5)
2 Dan's knees shake when in a state of undress (9)
3 Tries to measure one in gulps (10)
4 Empire sofa (7)
5 Hospital intern treated the more emaciated (7)
6 Row results from big cat losing heart (4)
7 Lucifer's one to compete with (5)
8 The German double pistol used out west (9)
13 The Maquis were another source of friction (10)
14 Being top weight has grave implications (9)
16 I've withdrawn car entered in the race (9)
18 The hopelessness of the French couple (7)
19 Look up! Her Majesty's guards are here (7)
21 This bit sounds most unwarlike (5)
23 Mount's set up (5)
24 Having been soiled, led her out (4)

Solution to Puzzle No.7,380



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10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int.
December	90.00	90.01	-0.01	90.03	89.99	9.99	17,466
March	90.00	90.02	-0.01	90.05	90.00	9.97	8,190
June	89.96	89.98	-0.01	89.99	89.96	10.02	1,383
September	-	-	-	-	-	10.06	382

Estimated volume 4,179 Total Open Interest 63,788

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

AUSTRALIA

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices October 30

[illegible]

MONTREAL
Closing prices October 30

[illegible]

Total Sales 5,841,818 shares.

INDICES

NEW YORK

DOW JONES	Oct. 30	Oct. 29	Oct. 26	Oct. 25	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2448.02	2430.20	2436.14	2484.16	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	88.94	88.96	89.06	89.05	93.04 (3/1)	88.44 (24/9)	—	—
Transport	825.07	827.11	837.09	851.33	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	210.95	208.38	208.69	209.82	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2462.87 (2470.30) Low 2400.50 (2407.67)

STANDARD AND POOR'S	Oct. 30	Oct. 29	Oct. 26	Oct. 25	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	304.06	301.88	304.71	310.17	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	357.63	355.45	358.50	364.84	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	18.97	18.80	19.32	20.09	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	166.08	165.24	166.71	169.51	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	288.07	288.79	291.39	292.78	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	329.83	330.80	334.36	339.74	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct. 26	Oct. 19	Oct. 12	year ago (approx.)
Dow Industrial Div. Yield	4.17	4.05	4.25	3.97

	Oct. 24	Oct. 17	Oct. 10	year ago (approx.)
S & P Industrial div. yield	3.42	3.59	3.56	3.12
S & P Indl. P/E ratio	14.86	14.15	14.28	12.89

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Chase Manhtn.	2,977,100	10¼	- ½
Ford Motor	2,770,200	27⅞	- 2
Boeing	2,643,400	44⅛	- 1⅛
Philip Morris	2,339,900	46⅛	+ ⅞
Gen. Electric	2,262,300	52⅞	+ 1⅞
Southern Co.	1,902,800	26	+ ⅛
Citicorp	1,875,500	11⅛	+ ¼
Sth. Pacific	1,722,200	18⅝	+ ⅞
IBM	1,627,700	106⅛	+ ⅛
Toys R US	1,605,300	21⅞	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Oct. 30	Oct. 29	Oct. 26
New York	153.450	133.980	130.190
Amex	10.622	7.565	9.477
NASDAQ	(a)	92.230	101.497
Issues Traded	1,952	1,964	1,975
Rises	663	481	369
Falls	821	1,030	1,153
Unchanged	468	453	452
New Highs	4	6	1
New Lows	206	162	141

CANADA

TORONTO	Oct. 30	Oct. 29	Oct. 26	Oct. 25	1990 HIGH	1990 LOW
Metals & Minerals	2635.14	2635.71	2627.98	2689.60	3453.05 (4/1)	2588.00 (16/10)
Composite	3083.89	3083.36	3086.50	3129.85	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1645.59	1643.73	1645.30	1671.98	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (a) Unavailable.

	Oct. 30	Oct. 29	Oct. 26	Oct. 25	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1329.1	1344.7	1354.7	1375.3	1723.7 (2/1)	1321.4 (15/10)
All Mining (1/1/80)	636.7	637.4	638.6	646.9	860.8 (5/1)	635.6 (15/10)
AUSTRIA						
Credit Aktien (30/12/84)	458.62	470.56	(c)	491.60	703.29 (19/3)	488.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5198.94	5206.26	5225.92	5317.26	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	345.33	346.59	348.59	350.35	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	407.0	405.3	404.8	399.7	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	429.70	428.65	432.76	448.48	564.62 (30/5)	410.38 (26/9)
CAC 40 (31/12/87)	1613.59	1627.90	1618.58	1645.99	2129.32 (28/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	624.13	628.76	632.52	646.52	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1770.5	1784.1	1796.0	1834.7	2434.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1431.14	1454.49	1457.65	1497.58	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3011.65	3063.53	(c)	3059.88	3559.89 (23/7)	2736.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1302.84	(c)	1318.76	1336.28	1893.18 (22/1)	1287.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	563.70	562.13	569.90	582.54	763.52 (14/6)	552.09 (17/10)
JAPAN						
Nikkei (16/5/49)	25242.40	25329.31	25005.64	25352.63	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1865.24	1876.07	1861.04	1880.63	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3344.75	3361.24	3336.34	3317.20	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	497.90	504.84	500.94	512.98	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Td.Rtn.Gen.(End 1983)	231.4	234.2	234.4	236.1	271.9 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	169.9	171.9	172.1	173.3	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	743.07	742.22	754.47	762.21	915.13 (2/8)	702.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	596.65	606.19	616.99	613.14	1160.70 (21/3)	514.88 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	324.21	326.74	325.96	334.24	446.87 (16/7)	301.46 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1395.0	1398.0	1427.0	1438.0	2230.0 (16/1)	1322.0 (20/8)
JSE Industrial (28/9/78)	2702.0	2720.0	2730.0	2747.0	3211.0 (6/2)	2640.6 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	711.49	720.89	738.61	708.75	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	232.53	235.65	236.66	240.69	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	906.2	921.3	935.2	947.0	1329.9 (5/7)	906.2 (30/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	648.1	652.1	654.2	667.8	845.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	3318.53	3309.05	3316.36	(c)	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	673.05	698.55	688.57	698.69	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) (δ)	468.7*	466.0	467.5	476.3	571.0 (4/1)	425.1 (28/9)

**Saturday October 27: Taiwan Weighted Price: 3100.22 Korea Comp Ex. 733.05
δ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 30 October 1990

	Stocks Traded	Closing Prices	Change on day
S'tomo Metal	10m	518	+15
Onoda Cement	7.8m	686	+49
Tosoh Corp	7.2m	640	-30
Yo'tomi Pharm	7.2m	1,820	+80
Daiwa Chem	6.8m	929	+5

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	6.5m	480	+5
Rengo	6.4m	829	+7
Toyobo	5.8m	680	-15
Fuji Heavy	5.5m	701	-24
Ebara	5.2m	1,690	-50

4pm prices October 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	8½	AAR	.48	4.5	7	654	10⅝	10¼	10⅝	– ⅛
9⅛	7⅞	ACM n	1.01	12.		341	8⅛	8	8⅛	+ ⅛
11½	8⅞	ACMIn	1.26	13.		740	10	9⅞	10	+ ⅛
9⅛	6½	ACM M	n1.01	14.		309	7⅛	7⅛	7⅛	
12⅛	10	ACMRSM	1.50	13.		119	11⅛	11⅛	11⅛	
11½	8⅞	ACM Sc	1.26	13.		1147	9⅛	9½	9⅝	+ ⅛
9⅞	7¼	ACMSp	1.01	12.		410	8⅛	8	8⅛	
24⅞	15⅞	AL Lab	.16	.9	16	8	18⅛	18	18	– ⅛
5⅜	1	AM Intl				1301	1¼	1	1	– ⅛
21⅛	4⅝	AM In pf	2	38.		73	5⅜	5⅛	5⅛	– ¼
74¼	39⅞	AMR			14	2583	46½	44⅞	46⅛	+ ⅝
[illegible]										

Continued on Page 41

هكذا عن الأصل

NYSE COMPOSITE PRICES

12 Month High Low Stock Div. Yld. P/E Sls 100s High Low Close Quote Ch'ge Prev. Close

Continued from previous Page

[illegible]

AMEX COMPOSITE PRICES

4pm prices October 30

Stock Div. P/E Sls 100s High Low Close Chng

[illegible]

NASDAQ NATIONAL MARKET

3pm prices October 30

Stock Div. Sales 100s High Low Last Chng

[illegible]

AMERICA

Programme trades and oil price retreat boost Dow

Wall Street

A LATE burst of futures-related programme trading yesterday afternoon and a downturn in crude oil prices helped US stock prices recover after being driven down by early selling, *writes Karen Zagor in New York*.

The Dow Jones Industrial Average of 30 blue chip issues was finally 17.82 ahead on the day at 2,448.02, after showing a decline of more than 20 points at mid-day. New York SE volume came to a moderate 153.4m shares.

The overall market still displayed an easier tendency at the finish, with declines narrowly leading gains by 821 to 663, but the Standard & Poor's 500 registered a net rise of 2.18 at 304.06.

The stock market opened on a mildly positive note, with the Dow gaining 4.70 in the first half-hour of trading. The improvement was inspired by third-quarter GNP data, which showed a growth rate of 1.8 per cent in the three months. Economists had expected growth of about 0.9 per cent.

Many analysts, however, were reluctant to give up their projections of recession, and their outlook for the fourth quarter is still gloomy.

Stock prices were also depressed in the morning by continued gains in crude oil, which moved higher as tensions mounted in the Gulf. At mid-session, December crude oil was up 57 cents a barrel at $35.25. However, late afternoon selling pushed the December contract down a net 14 cents to $34.54, and the decline helped the equity market.

Boeing fell $1⅞ to $44⅛ in heavy trading in spite of posting strong third-quarter results on Monday of $1.10 a share. Although some analysts had expected Boeing to turn in profits of about $1 a share, they were not bullish about Boeing's earnings and pointed to a number of uncertainties in the latest figures, including an unspecified "significant interest payment related to a refund". Ford dropped $2 to $27⅝ after the auto maker reported third-quarter net income of 22 cents a share, against $1.03 a year earlier.

General Cinema rose $⅝ to $19⅝ after the group offered to buy the outstanding shares in Neiman-Marcus for $14.40 each. The latter's stock jumped $3⅜ to $14⅝.

Fund American was unchanged at $43⅛ after reporting a third-quarter loss from continuing operations of 12 cents a share, compared with income of 64 cents a year before. Net income, however, was 3 cents a share, against a loss of 5 cents a year ago.

Borden fell $2½ to $30⅝ in reaction to the company's third-quarter results, which were essentially unchanged on an operating basis. Net income was 73 cents in the three months, compared with a loss of $2.05, which took in restructuring charges of $2.73, last year.

Reuters Holdings ADRs tumbled $2 to $35⅝ in heavy trading after the company said it would issue a statement on trading by December 4, when a meeting with analysts would be held in New York.

Canada

THE TORONTO market mirrored the New York trend in another thinly traded session. The composite index, down 13 points around mid-session, finished a slight 0.5 up on balance at 3,083.9, while declines retained a narrow lead over advances by 295 to 245. Volume totalled 16.1m shares, against Monday's 13.5m.

Golds posted the day's best rise, of 1.37 per cent, as the bullion price climbed US$6.

Warsaw to model itself on Lyons exchange

Christopher Bobinski explains the criteria Poland is using in creating a stock market

LAST WEEK Poland's Stock Exchange became a little more than a gleam in the eye of Mr Leslaw Paga, the official responsible for its organisation.

The government approved the draft of the Public Trading and Securities Act, which will govern the system. This law still has to go through Parliament, however, and Mr Paga estimates that his Warsaw exchange will not be operational before next summer.

The law foresees the establishment of a securities commission, with powers modelled on the US Securities and Exchange Commission. This will approve stocks for formal listings and license brokers, who will have to take an examination.

Brokers will need to have capital of between the 250m zlotys ($26,000) required for establishing a joint stock company, and the 10bn zlotys needed to start a bank. The amount has yet to be decided.

The regulations fulfil European Community requirements. Mr Paga comments: "Maybe this is the first time this has happened in a country which is not actually a member, and which is treating them probably more faithfully than some EC members." Provision for mutual investment funds is included, and major Western broking companies are welcome.

The draft, however, has its critics who are hoping to mobilise support in parliament to secure changes.

Mr Janusz Bilski from the Lodz Commodity Exchange, which has been in business for just over a year, says that the project leaves too great a role for the state. "We want to see the law set out the rules governing the operation of an exchange, but not setting up the exchange itself."

Mr Lesek Ratajczak from the Poznan commodity exchange, open since July, argues that the law should not establish a monopoly, and a state-run one at that, as the draft envisages, but rather smooth the way for competition and let time show whether the Warsaw exchange can compete with provincial centres.

The Stock Exchange itself, to be located in the old Communist Party central committee building (Mr Paga resides in offices once occupied by the now-defunct state censor), is to follow French models.

Offers from the French to train officials may have tilted the balance in favour of an agreement signed recently with Mr Regis Rousselle, the chairman of the Paris Exchange, but the actual model will be the Lyons bourse.


Warsaw: building another kind of marketplace

Mr Waldemar Kuczynski, the Privatisation Minister, says: "We needed a small exchange, like the one we will have at the beginning, and one which will have room to grow."

The Exchange's turnover will depend on how fast the government's privatisation programme progresses. The authorities are talking of selling about 100 companies next year, and a safe estimate is that 50 stocks will be on offer at the Exchange in 1991. Sales of a few companies are to start next month.

For the moment, there is some dealing in government bonds and a few shares at commodity exchanges, which have sprung up around the country. These exchanges have been vigorously protesting against losing the right to trade in securities once the law has been passed.

About 80 private companies which are involved in trading on these exchanges will provide the first brokers for the Warsaw Stock Exchange.

Meanwhile, there have been only two major share issues, Bank IG and Universal Trading Company. The Bank IG shares are being traded, in a small way, on a secondary market run by the bank itself and have tripled in value since July. A secondary market in Universal shares has yet to be opened but, given the sharp rise in the value of Bank IG shares over the past few weeks, the auguries for Universal are good.

Mr Paga trusts in the commercial instinct which Poles have exhibited when travelling around the world making profits and covering costs. "People will want to be active in the market, although I do not expect there to be massive investment in the short term. But it will not be just a game for a few players," he says.

ASIA PACIFIC

Late buying rally trims early drop in Nikkei

Tokyo

EARLY LOSSES in equities induced by the weakening of the yen and rising crude oil prices were reduced by a late buying rally, but the Nikkei average still finished lower yesterday. Turnover was thin, as many investors showed reluctance to commit themselves, *writes Martina Gannon in Tokyo*.

The Nikkei closed at 25,242.40, down 86.91, after slipping to a low of 24,885.18 early in the session. The day's high was 25,328.52. Volume subsided from about 500m shares to 400m, with most of the trading done towards the close. Declines led advances by 611 to 338, with a further 162 issues unchanged. The Topix index of all first section stocks lost 10.83 to 1,865.24 and the second section also retreated. In London the ISE/Nikkei 50 index shed 19.16 to 1,380.97.

Most sectors weakened as the premium of stock index futures to cash indices widened, but then arbitrageurs initiated a buying rally, causing some stocks to firm.

Mr Paul Muller at Schroder Securities said: "The 25,000 mark is obviously being regarded as some sort of support level because, almost as soon as the average dipped below that, buying began and it was lifted again."

He added that, because of the uncertainty surrounding the situation in the Middle East, investors appeared to be using the bond market as an indicator. Bonds fluctuated throughout the day, but benchmark government issues closed slightly firmer.

Stocks ending weaker included constructions, paper and pulps, chemicals, foods, fisheries, motors and trading houses. Financials were generally lower, but Bank of Tokyo gained Y10 to Y1,020.

Drug makers were mixed, with Dainippon Pharmaceutical retreating Y10 to Y2,270 and Green Cross adding Y20 at Y1,310. Dai Ichi Pharmaceutical, which plans to introduce six new drugs in the next five years, including a synthetic anti-bacterial drug to combat AIDS, rose Y50 to Y2,580.

Hitachi Software, the Hitachi subsidiary listed on the second section yesterday, closed at Y6,650. It started at a bid price of Y5,390 and jumped to Y7,060 at one stage. Turnover for the issue accounted for nearly half of the second section's volume.

NTT continued to rise, gaining Y10,000 to Y1.11m. Sanrio, the gifts and greeting cards maker, put on Y510 to Y5,900.

In Osaka, the OSE average lost ground for the first time in 12 trading days. It ended at 29,392.01, off 56.20, after turnover of 35.7m shares, down from Monday's 51.7m.

The round of buying for November accounts, which lifted stock prices on Monday, subsided. Traders focused on companies that had upwardly revised their profits estimates for the interim term.

Roundup

TOKYO'S DROP sent most Pacific Rim markets into retreat yesterday.

AUSTRALIA receded 1.2 per cent in thin, nervous trading. A 41-cent fall in Adsteam to A$1.35 and a subsequent query from the Stock Exchange about the share price drop unnerved the market. Turnover rose to A$142m from A$130m as the All-Ordinaries index lost 15.6 to 1,329.1.

HONG KONG had its worst setback in five weeks as anxieties over the Gulf crisis encouraged investors to take profits after the market's recent strength. The Hang Seng index gave up 51.88 to 3,011.65, but remained above the psychological 3,000 barrier. Turnover contracted to HK$860m from HK$1.09bn.

SEOUL fell for the fifth consecutive session in spite of support from the stock market stabilisation fund and institutions. Volume shrank to Won323.6bn from Won510.6bn. The composite index closed 9.4 lower at 711.49 after swinging widely during the day.

NEW ZEALAND retreated further as turnover dwindled to the lowest level in several months in the absence of overseas buyers, falling to NZ$3.9m from NZ$5.9m. The Barclays index declined 14.57 to 1,358.22.

TAIWAN ended little changed in improved volume, as an early morning decline was reversed by short-covering and strong financials. Turnover rose to T$42.03bn from T$32.55bn. The weighted index closed 9.48 higher at 3,318.53.

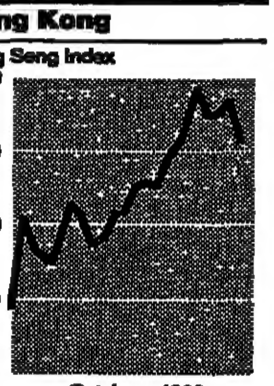
SINGAPORE dropped in scant dealings as volume narrowed to S$63.7m from S$70.1m. The Straits Times Industrial index fell 12.28 to 1,164.83. KUALA LUMPUR was lower as institutions remained at the sidelines. The composite index shed 6.94 to 497.90.

MANILA slipped on profit-taking, but oil issues were buoyed by the ongoing drilling project in the southern Philippines. The composite index eased 9.54 to 596.65.

There was no trading in BOMBAY, with brokers staying away amid fears of violence as the Indian political crisis continued to grow.

Hong Kong

Hang Seng index



EUROPE

US sabre rattling sends most bourses lower

WARLIKE reports from the US overnight, and higher crude oil prices on the day, left most bourses lower last night, *writes Our Markets Staff*.

FRANKFURT shed 1.6 per cent as the DAX index closed 23.35 lower at 1,431.14, after a 4.63 fall to 624.13 in the FAZ at midsession. Volume was a weak DM3.8bn after DM3.7bn.

The DAX ended at its low for the day, 5⅛ per cent down from its Tuesday peak last week. Some of the big blue chips have performed worse, noted Ms Barbara Altmann, a dealer with B Metzler in Frankfurt: Volkswagen and Daimler show falls over the same period of 10 per cent to DM363.50 (off DM8.50 yesterday) and 7.2 per cent to DM583 (down DM16.50) respectively.

The warning is out on cyclical stocks, and Metzler added its own on VW yesterday, reducing its earnings forecasts from DM54 to DM45 a share for 1990, and from DM50 to DM36 a share for 1991.

The market found little solace in an Association of German Chambers of Commerce report, although it said that most German businesses expected 1991 to be at least as good a year as 1990 – in spite of shrinking export demand from the US and Japan, a stronger D-Mark, and rising oil prices and interest rates.

PARIS found support as the CAC 40 index approached 1,600, but the market ended 0.9 per cent lower. The index closed 14.31 down at 1,613.59 after recovering from 1,600.88, in turnover of about FFr1.1bn after Monday's tiny FFr974m. Options-related trading provided some support before the expiry of index contracts.

Lafarge Coppée, the cement maker, tumbled after Monday's news that it would take a second-half provision of about FFr130m to cover its 50.1 per cent stake in Aancor Holdings of the US, which has filed for bankruptcy protection. It dropped FFr21.90 or 6.2 per cent to FFr331.10 in volume of 292,330 shares. One analyst was bemused by the sharpness of the decline, saying that the provision had been expected.

Suez lost FFr5.80 to FFr305.90 with 166,700 shares exchanged, although it rebounded from FFr299.20 after news that Société Générale de Belgique, in which Suez is the majority shareholder, could have found a buyer for FN, its troubled arms subsidiary.

MILAN concentrated on the banking sector following Monday's announcement by IRI, the state holding company, about the planned mergers of several state banks. The Comit index rose 1.57 to 563.70 but volume was low before tomorrow's holiday.

Banco di Roma rose L25 to L2,675, on hopes of an early tie-up with Cassa di Risparmio di Roma. Banca Commerciale, which is earmarked to merge with Credito Italiano, put on L20 to L4,530 while Credito added L30 to L2,390.

Ms Melinda Diamond of Baring Securities said IRI's plans showed a tremendous acceleration of the so-called Amato law to reform Italy's banking sector. However, she pointed out that the overhaul would also mean a large amount of paper coming on to the market from the under-capitalised banks.

AMSTERDAM waited for today's third quarter figures from DSM, which are expected to show a decline in net earnings of between 25 and 35 per cent. The CBS Tendency index eased 0.5 to 96.7.

DSM ended 40 cents higher at Fl 81.30. Akzo, which reports tomorrow, fell 70 cents to Fl 73.90. KLM shed Fl 1 to Fl 20.20; KLM, which reports fiscal second quarter results tomorrow, has warned that it could make a loss this year.

Ahold, the retailer, said it was maintaining its forecast of higher 1990 net profits, but the stock eased 50 cents to Fl 128.

STOCKHOLM fell sharply in thin trading. The Affärsvärlden General index lost 1.6 per cent or 15.1 to 906.2.

Volvo free B shares fell SKr8 to SKr289, mostly on UK selling after a cautionary report by James Capel on 1991 earnings following the poor first half results from Renault.

SKF free B shares reached a year's low at SKr75, a fall of SKr4, after reporting disappointing earnings last week.

ZURICH's Crédit Suisse index fell 6.0 or 1.2 per cent to 487.6, above its day's low.

Swissair bearers shed SFr20 or 3.3 per cent to SFr580, their lowest level for several years and 55 per cent down from their 1990 peak. Mr Tom Atkinson, of Citibank, observed that Swissair, like virtually all European airlines, was thought to be suffering from the combination of the industry's inefficiency and higher fuel prices.

BRUSSELS saw FN rise BFr5 to BFr190 after the arms company said that GIAT Industries of France had offered to take over most of its activities.

ISTANBUL dropped 205.5 or 4.1 per cent to 4,747.40, partly reflecting recent and pending public offerings of shares in state-run and private companies.

SOUTH AFRICA

JOHANNESBURG drifted in uncertain and directionless trading. The JSE all-gold index closed a shade higher at 1,395, up 5, but the industrial index slipped 18 to 2,702. The all-share index ended marginally lower at 2644, down 3.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 30 1990								MONDAY OCTOBER 29 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (77)	123.14	−1.5	93.72	100.49	97.22	104.71	−1.3	7.38	124.98	94.85	101.44	98.54	106.05	158.31	123.14	148.97
Austria (19)	200.77	−3.5	152.81	163.85	158.50	159.34	−2.7	1.71	207.99	157.85	168.82	163.99	163.76	285.63	178.57	149.42
Belgium (61)	137.21	−0.6	104.43	111.96	108.32	106.08	+0.0	5.46	138.03	104.75	112.02	108.82	106.03	160.02	126.67	137.46
Canada (120)	123.16	−0.1	93.74	100.50	97.23	104.08	+0.1	3.82	123.31	93.59	100.08	97.21	103.93	153.61	121.24	148.83
Denmark (33)	255.11	−1.3	194.16	208.19	201.40	202.11	−0.4	1.47	258.35	196.07	209.69	203.69	203.01	277.62	234.05	211.78
Finland (25)	101.08	−0.5	76.93	82.49	79.80	76.93	+0.3	3.96	101.55	77.07	82.43	80.07	76.69	152.29	98.91	124.27
France (122)	137.68	−1.0	104.79	112.35	108.69	109.77	−0.9	3.75	139.04	105.52	112.84	109.61	110.74	168.85	124.98	132.38
Germany (91)	114.20	−0.9	86.92	93.21	90.16	90.16	−0.8	2.52	115.24	87.46	93.55	90.86	90.86	144.63	101.38	95.13
Hong Kong (46)	122.83	−1.5	93.48	100.23	96.97	122.83	−1.5	5.37	124.67	94.62	101.18	98.30	124.65	147.49	112.24	115.07
Ireland (17)	158.52	−2.3	120.65	129.36	125.14	126.51	−2.2	4.13	162.20	123.10	131.65	127.88	129.31	198.57	139.04	157.05
Italy (91)	85.47	+0.3	65.05	69.75	67.47	72.59	+0.3	3.39	85.24	64.69	69.18	67.20	72.37	109.28	80.87	87.21
Japan (454)	137.43	−1.2	104.60	112.15	108.51	112.15	−0.7	0.76	139.16	105.61	112.94	109.73	112.94	197.26	106.58	187.43
Malaysia (35)	205.26	−1.0	156.22	167.49	162.04	213.67	−0.9	2.93	207.25	157.29	168.21	163.40	215.63	250.89	182.96	192.67
Mexico (13)	550.53	+0.7	419.00	449.27	434.63	1765.44	+1.0	0.39	546.44	414.72	443.51	430.83	1747.54	561.41	324.53	301.85
Netherland (41)	132.84	−1.4	101.10	108.40	104.87	103.77	−1.3	5.18	134.70	102.23	109.33	106.20	105.13	149.03	127.56	125.58
New Zealand (16)	51.20	−1.0	38.97	41.79	40.43	44.26	−0.9	7.61	51.70	39.24	41.96	40.76	44.66	75.36	50.73	76.39
Norway (27)	236.39	−0.6	179.91	192.91	186.63	190.35	+0.2	1.62	237.73	180.42	192.95	187.44	190.06	276.79	202.34	167.13
Singapore (25)	164.52	−0.9	125.22	134.26	129.88	129.49	−0.7	3.30	165.94	125.94	134.68	130.83	130.42	209.24	147.24	155.90
South Africa (60)	162.88	+1.0	123.96	132.91	128.58	133.09	−0.1	4.21	161.23	122.37	130.86	127.12	133.25	251.39	151.50	156.03
Spain (42)	146.71	−1.8	111.66	119.73	115.82	105.86	−1.6	5.24	149.42	113.40	121.28	117.81	107.60	182.25	128.54	159.32
Sweden (27)	172.55	−1.9	131.33	140.82	136.23	144.07	−1.6	2.82	175.86	133.47	142.74	138.65	146.37	234.93	158.07	171.01
Switzerland (68)	90.10	−1.1	68.57	73.53	71.14	72.00	−0.9	2.97	91.08	69.12	73.92	71.82	72.64	109.77	85.00	86.65
United Kingdom (299)	158.81	−1.5	120.87	129.59	125.37	120.87	−1.2	5.75	161.28	122.40	130.89	127.14	122.40	176.18	139.87	138.54
USA (533)	122.43	+0.7	93.18	99.91	96.66	122.43	+0.7	4.02	121.60	92.29	98.70	95.88	121.60	148.95	119.06	138.19
Europe (963)	134.88	−1.2	102.66	110.07	106.49	104.77	−1.0	4.44	136.54	103.62	110.82	107.66	105.82	157.65	124.91	122.52
Nordic (112)	183.56	−1.4	139.71	149.80	144.92	143.37	−0.8	2.11	186.12	141.26	151.07	146.74	144.50	223.29	172.38	165.14
Pacific Basin (655)	136.09	−1.2	103.58	111.06	107.44	111.96	−0.7	1.13	137.82	104.59	111.86	108.66	112.79	192.75	107.82	183.12
Euro−Pacific (1618)	135.96	−1.2	103.48	110.94	107.33	109.73	−0.8	2.47	137.66	104.48	111.72	108.53	110.66	174.18	118.03	158.94
North America (653)	122.39	+0.6	93.15	99.89	96.64	121.24	+0.6	4.01	121.62	92.30	98.72	95.91	120.46	148.43	119.26	138.73
Europe Ex. UK (664)	119.71	−1.0	91.11	97.71	94.53	95.11	−0.8	3.50	120.91	91.76	98.15	95.35	95.88	145.62	109.94	111.74
Pacific Ex. Japan (201)	119.59	−1.4	91.02	97.61	94.43	105.81	−1.2	6.18	121.26	92.03	98.44	95.62	107.15	146.72	117.08	131.39
World Ex. US (1811)	136.03	−1.2	103.53	111.02	107.40	110.21	−0.8	2.53	137.64	104.46	111.73	108.53	111.09	173.77	117.12	158.65
World Ex. UK (2045)	127.50	−0.5	97.04	104.05	100.66	113.49	−0.2	2.68	128.09	97.21	103.97	101.00	113.73	162.00	115.37	151.48
World Ex. So. Af. (2284)	130.08	−0.6	99.00	106.16	102.70	114.06	−0.3	3.00	130.85	99.31	106.22	103.18	114.44	161.84	118.04	150.26
World Ex. Japan (1890)	127.85	−0.2	97.31	104.34	100.95	115.02	−0.1	4.27	128.12	97.23	104.00	101.03	115.15	151.59	124.31	132.65
The World Index (2344)	130.28	−0.6	99.15	106.32	102.85	114.20	−0.3	3.01	131.04	99.45	106.36	103.32	114.57	162.05	118.33	150.30